

7 May 2024

COURT APPROVES CONVENING OF SCHEME MEETING AND SCHEME BOOKLET REGISTERED WITH ASIC

McGrath Limited (ASX: MEA) (**McGrath** or the **Company**) refers to the proposed acquisition of McGrath by RPAA Holdings Pty Ltd, an entity jointly controlled by Knight Frank Australia Holdings Pty Ltd and Bayley Corporation Limited's subsidiary, BCL Aus Holdings Limited, by way of scheme of arrangement (**Scheme**).

Court Orders

The Supreme Court of New South Wales has today made the following orders in relation to the Scheme:

- that McGrath convene and hold a meeting of McGrath shareholders to consider and vote on the Scheme (**Scheme Meeting**); and
- approving the distribution of the scheme booklet providing information about the Scheme and a notice of Scheme Meeting (**Scheme Booklet**) to McGrath shareholders.

Details of Scheme Meeting

The Scheme Meeting is expected to be held at 10.00am (Sydney time) on Tuesday, 11 June 2024 in person at Level 2, 19 Harris Street, Pyrmont NSW 2009.

McGrath shareholders who are unable to attend in person can view the Scheme Meeting via live webcast at <https://mcgrath.zoom.us/j/85330309798>. McGrath shareholders watching online will be able to ask questions and make comments, but will be unable to vote via the webcast. If McGrath shareholders are unable to attend in person, they are encouraged to vote by proxy, attorney or corporate representative as outlined below.

McGrath shareholders who wish to submit questions in advance of the meeting may do so online at <https://investorcentre.linkgroup.com> by 10.00am (Sydney time) on Sunday, 9 June 2024. All registered McGrath shareholders as at 7.00pm (Sydney time) on Sunday, 9 June 2024 will be eligible to vote at the Scheme Meeting.

All McGrath shareholders are encouraged to vote by attending the Scheme Meeting in person or by attorney or corporate representative, or alternatively by completing and ensuring the proxy form accompanying the Scheme Booklet is received by 10.00am (Sydney time) on Sunday, 9 June 2024.

Scheme Booklet

McGrath confirms that the Scheme Booklet has today been registered with the Australian Securities and Investments Commission (**ASIC**). A copy of the Scheme Booklet is attached and will be made available online at <https://investor.mcgrath.com.au/Investor-Centre/>. A copy of the proxy form and election form that will be sent to McGrath shareholders is also attached.

Further details will be sent to McGrath shareholders on or before Thursday, 9 May 2024.

McGrath shareholders who have elected to receive shareholder communications electronically will receive an email containing a link to an online portal where they can access the Scheme Booklet and a personalised proxy form and election form. McGrath shareholders who have elected to receive hard copy shareholder communications will receive (by post) a printed copy of the Scheme Booklet and a personalised proxy form and election form. McGrath shareholders who have not elected to receive shareholder communications electronically or in hard copy will receive (by post) a letter containing details of how they can view and download the Scheme Booklet and a personalised proxy form and election form.

McGrath shareholders should read the Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the Scheme.

Independent Expert's Report

The Scheme Booklet includes a copy of the independent expert's report prepared by Lonergan Edwards & Associates Limited (**Independent Expert**).

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

The Independent Expert's conclusion should be read in context with the full Independent Expert's report and the Scheme Booklet.

McGrath Board recommendation

The McGrath Board continues to unanimously recommend that McGrath shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of McGrath shareholders. Subject to those same qualifications, each McGrath Director intends to vote, or procure the voting of, all McGrath Shares held or controlled by them in favour of the Scheme.

Further information

If you have any questions in relation to the Scheme or the Scheme Booklet, please contact the McGrath Shareholder Information Line on 1300 730 659 (within Australia) or +61 1300 730 659 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

-ENDS-

This announcement was authorised for release by McGrath's Board of Directors.

For further information, please contact:

Investors

Howard Herman CFO
0413 886 489

Media

Terri Sissian
0419 881 414

Tim Allerton
0412 715 707

About McGrath

McGrath Limited (ASX: MEA) is one of Australia's most successful integrated real estate services business, offering agency sales, property management, mortgage broking and career training services. McGrath Estate Agents currently has offices located throughout the East Coast of Australia. For further information, please visit www.mcgrath.com.au

McGrath

Scheme Booklet

For a scheme of arrangement between McGrath Limited (ACN 608 153 779) and its shareholders in relation to the proposed acquisition by RPAA Holdings Pty Ltd (ACN 676 034 101) of all McGrath Shares.

VOTE IN FAVOUR

The McGrath Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders, in the absence of a Superior Proposal.

This is an important document and requires your immediate attention.

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

If you are in any doubt about how to deal with this document, you should contact your broker or financial, taxation, legal or other professional adviser immediately.

Further, if you have any questions in relation to this document or the Scheme, you should call the McGrath Shareholder Information Line on 1300 730 659 (within Australia) or +61 1300 730 659 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

FINANCIAL ADVISERS

Yatsen Associates 
Management Consulting | Corporate Advisory

 **monash**advisory

LEGAL ADVISER



HERBERT
SMITH
FREEHILLS



Important notices

General

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

Nature of this Scheme Booklet

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

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

ASIC and ASX

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

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

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

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

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

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

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure 7.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting. Any McGrath Shareholder may appear at the Second Court Hearing, currently expected to be held at 10.15am (Sydney time) on Friday, 14 June 2024 at the Law Courts Building, 184 Phillip Street, Sydney NSW 2000. Any McGrath Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on McGrath a notice of appearance in the prescribed form together with any affidavit that the McGrath Shareholder proposes to rely on.

No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any McGrath Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. You are encouraged to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. In particular, it is important that you consider the key risks set out in section 8, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure 1. If you are in doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser immediately.

Forward looking statements

Some of the statements appearing in this Scheme Booklet (including in the Independent Expert's Report) may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words.

Similarly, statements that describe the objectives, plans, goals, intentions or expectations of McGrath, Bidder or their related entities are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to McGrath, Bidder or their related entities and/or the industries in which they operate, general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

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

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

Responsibility statement

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

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

Lonergan Edwards has prepared the Independent Expert's Report (as set out in Annexure 1) and takes responsibility for that report. None of McGrath or Bidder or any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of McGrath, in relation to the information which it has provided to the Independent Expert.

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

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. See section 10.9 for further details.

Financial amounts and effects of rounding

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in the Scheme Booklet are subject to the effect of rounding. Accordingly, any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding. All financial and operational information set out in this Scheme Booklet is current as at the date of this Scheme Booklet, unless otherwise stated.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at Last Practicable Date.

Timetable and dates

All times and dates referred to in this Scheme Booklet are times and dates in Sydney, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to McGrath Shareholder approval and Court approval.

External websites

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

Privacy

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

Date of Scheme Booklet

This Scheme Booklet is dated 7 May 2024.

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Letter from the Chair of the McGrath Board

Letter from the Chair of the McGrath Board

7 May 2024

Dear McGrath Shareholder,

On behalf of the McGrath Board, I am pleased to present you with this Scheme Booklet containing information in relation to the proposed acquisition of all of the issued shares in McGrath by RPAA Holdings Pty Ltd (ACN 676 034 101) (**Bidder**), an entity controlled jointly by Knight Frank Australia Holdings Pty Ltd (ACN 114 923 938) (**KFA**) and Bayley Corporation Limited's subsidiary, BCL Aus Holdings Limited (NZCN 8958610) (**BCL**) (together, the **Consortium**).

On 25 March 2024, McGrath announced that it had entered into a Scheme Implementation Deed with Bidder to acquire 100% of McGrath Shares on issue via a scheme of arrangement (**Scheme**). The Scheme will be subject to McGrath Shareholder and Court approval, and certain other conditions precedent. Full details of the Scheme are set out in this Scheme Booklet.

What you will receive under the Scheme

Under the Scheme, McGrath Shareholders will have the option to receive Scheme Consideration as either:

- \$0.60 cash per McGrath Share;
- an unlisted scrip alternative; or
- a combination of both.

Each of these options is described further below.

Overview of the All-Cash Alternative

If the Scheme is approved and implemented, McGrath Shareholders will be entitled to receive \$0.60 cash for each McGrath Share that they own (**All-Cash Alternative**), unless they make a valid election to receive the Rollco Scrip Alternative described below, or a combination of both.

To receive the All-Cash Alternative of \$0.60 cash per McGrath Share you will need to hold your shares on the Scheme Record Date.

The All-Cash Alternative implies an equity value of approximately \$95.5 million¹, and represents an attractive premium of:

- 27.7% to McGrath's closing share price of \$0.47 on 22 March 2024²;
- 17.1% to the 1-month VWAP³ of \$0.51;
- 25.8% to the 3-month VWAP³ of \$0.48; and
- 34.2% to the 6-month VWAP³ of \$0.45.

McGrath's share price appears to have generally tracked the All-Cash Alternative since the Scheme was announced on 25 March 2024. Accordingly, the All-Cash Alternative does not represent a premium to McGrath's closing share price of \$0.60 on the Last Practicable Date.

¹ Based on the total number of McGrath Shares on issue as at the date of this Scheme Booklet, being 159,177,508 issued ordinary shares.

² Being the last trading day prior to entry into the Scheme Implementation Deed being announced.

³ Volume weighted average price (**VWAP**) based on cumulative trading volume and value on ASX up to and including 22 March 2024.

Overview of the Rollco Scrip Alternative

The Rollco Scrip Alternative comprises unlisted scrip in RPAA Investments Limited (ACN 676 033 346) (Rollco), an unlisted newly incorporated Australian entity, which will indirectly own 100% of the issued capital in McGrath through Rollco's 100% ownership of Bidder.

The Scheme is conditional on McGrath Shareholders, holding at least 22% of the total issued capital of McGrath, validly electing to receive the Rollco Scrip Alternative.

The Consortium indicated in putting forward its proposal that it was important to them that Managing Director and Chief Executive Officer of McGrath, Mr John McGrath, continue his involvement in McGrath. To that end, Mr McGrath has stated that he intends to elect to receive the Rollco Scrip Alternative for all his McGrath Shares (being, in aggregate, approximately 23.3% of the McGrath Shares on issue), subject to the qualifications in respect of his voting intention as a McGrath Director (described below).

Subject to scale back, McGrath Shareholders would receive one share in Rollco for every McGrath Share in respect of which they validly elect to receive the Rollco Scrip Alternative. The Rollco Scrip Alternative will be subject to a scale back mechanism on a pro rata basis to ensure the total number of shares being issued does not exceed 35% of the total shares on issue in Rollco. Where scale back applies, a McGrath Shareholder who elects to receive Rollco Scrip would receive the All-Cash Alternative for the balance of their McGrath Shares.

Risks of electing the Rollco Scrip Alternative

Whether the Rollco Scrip Alternative is appropriate will depend significantly on the characteristics and risk profile of each individual McGrath Shareholder.

It is important to understand that any investment in unlisted scrip in Rollco would represent a fundamentally different investment than your current investment in McGrath.

You should form your own view as to whether you wish to make an election to receive the Rollco Scrip Alternative based on your own individual circumstances, financial situation, taxation position, investment objectives and risk profile.

Electing to receive the Rollco Scrip Alternative carries additional risks, including:

- there will be no public market for the trading of shares in Rollco (an unlisted public company) post-implementation of the Scheme, nor is there expected to be any such market in the future;
- there are restrictions on the disposal of shares in Rollco under the Rollco Shareholders' Deed that will restrict any prospective seller of shares in Rollco from trading in their shares in Rollco;
- McGrath Shareholders who receive shares in Rollco under the Scheme will become parties to the Rollco Shareholders' Deed which is intended to govern the relationship between investors in Rollco, and will have fewer rights as a shareholder in Rollco when compared to your current investment in McGrath;
- McGrath Shareholders who receive shares in Rollco under the Scheme will be subject to risks inherent in minority shareholdings (as McGrath Shareholders who receive shares in Rollco under the Scheme will collectively have no more than a 35% interest in Rollco);
- an investment in Rollco will not involve various protections which McGrath Shareholders experience when investing in an ASX-listed company;
- after the first anniversary of the implementation of the Scheme, the Rollco Board will have the power to require each McGrath Shareholder who receives shares in Rollco under the Scheme which had, at the time of the implementation of the Scheme, an implied aggregate value of \$10,000 or less to dispose of their Rollco Shares. That is, such McGrath Shareholders who receive shares in Rollco under the Scheme may be forced to sell their Rollco Shares in any event after one year following the implementation of the Scheme;

- there is no guarantee that McGrath Shareholders who receive shares in Rollco under the Scheme will want to sell their Rollco Shares at the same time as a decision is made by the Consortium to 'exit' its investment in the McGrath business. Despite this, if a decision to exit is made, all shareholders in Rollco will be forced to sell their Rollco Shares under the Rollco Shareholders' Deed; and
- McGrath Shareholders who receive a minority interest in Rollco under the Scheme will be unable to exert a controlling influence over the major decisions, strategic direction and dividend policy of Rollco and will be fundamentally unable to access the underlying cash flows of the McGrath business.

McGrath Shareholders should carefully read sections 7 and 8 for additional information on the risks associated with an investment in Rollco and consider obtaining appropriate professional advice before making any election to receive the Rollco Scrip Alternative.

Default election

The All-Cash Alternative is the default consideration under the Scheme. If the Scheme is implemented, McGrath Shareholders that do not make an Election to receive the Rollco Scrip Alternative will receive the All-Cash Alternative. Ineligible Foreign Shareholders and persons who become McGrath Shareholders after the Election Deadline will receive the All-Cash Alternative.

Permitted Dividend

The McGrath Board currently intends to pay a fully franked cash dividend prior to implementation of the Scheme (**Permitted Dividend**), subject to certain conditions described in section 4.3. If a Permitted Dividend is to be paid, it will be announced before the Scheme Meeting and will be in addition to the Scheme Consideration. Further, you may be entitled to the franking credits (if any) attached to any Permitted Dividend.

To assess any benefit to them of franking credits (if any) attached to any Permitted Dividend, McGrath Shareholders should seek independent professional taxation advice. Refer to section 9 for further details, including a general guide to the Australian taxation implications of the Scheme.

Directors' recommendation

The McGrath Board, which in aggregate currently holds or controls approximately 48.1% of the issued McGrath Shares, unanimously recommends McGrath Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.⁴

The McGrath Board's unanimous recommendation that you vote in favour of the Scheme is based on the All-Cash Alternative. **The McGrath Board makes no recommendation to McGrath Shareholders in relation to the Rollco Scrip Alternative, due to the speculative nature of the Rollco Shares and the fact that whether the Rollco Shares are appropriate for an individual McGrath Shareholder will depend significantly on the characteristics and risk profile of that particular shareholder.⁵** If you are considering electing to receive the Rollco Scrip Alternative, you should first read this Scheme Booklet carefully, including sections 7 and 8 to ensure that you understand the nature of the Rollco Shares and their associated risks, and seek professional advice as to whether electing to receive the Rollco Scrip Alternative suits your particular circumstances.

⁴ Subject to implementation of the Scheme, Managing Director and Chief Executive Officer of McGrath, Mr John McGrath, may receive a cash payment of up to \$250,000 (see section 10.3(f)). The McGrath Board considers that, despite this arrangement, it is appropriate for Mr McGrath to make a recommendation on the Scheme, given his role in the operation and management of the McGrath Group. Mr McGrath also considers that it is appropriate for him to make a recommendation in relation to the Scheme.

⁵ As stated above, Mr John McGrath has stated to McGrath that he intends to elect to receive the Rollco Scrip Alternative in respect of all of his McGrath Shares based on his individual circumstances.

The McGrath Board was unanimous in its decision to recommend the Scheme, subject to the above qualifications, and notes that:

- the Independent Expert has concluded that the All-Cash Alternative is fair and reasonable and that the Scheme is in the best interests of McGrath Shareholders in the absence of a Superior Proposal;
- the value of the All-Cash Alternative represents a significant premium to trading prices of McGrath Shares before the Scheme was announced;
- the All-Cash Alternative of \$0.60 per McGrath Share is within the Independent Expert's valuation range of \$0.55 to \$0.63 per McGrath Share on a 100% controlling interest basis;
- the All-Cash Alternative provides McGrath Shareholders with certainty of value and the opportunity to immediately realise their investment for cash, avoiding the uncertainties and risks associated with McGrath's business. These are discussed in section 8;
- no Superior Proposal has emerged as at the date of this Scheme Booklet;
- McGrath's share price may fall in the near-term if the Scheme is not implemented and in the absence of a Superior Proposal; and
- brokerage charges will not apply to the transfer of your McGrath Shares under the Scheme.

In forming their unanimous decision to recommend the Scheme to McGrath Shareholders, subject to the qualifications described above, the McGrath Board considered the potential disadvantages of the Scheme proceeding. In particular:

- you may disagree with the McGrath Board's unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests;
- you may wish to maintain your direct investment in McGrath as an ASX-listed company;
- you may believe it is in your best interests to maintain your current investment and risk profile;
- you may believe that there is potential for a Superior Proposal to emerge in the foreseeable future; and
- the tax consequences of the Scheme may not suit your individual position and circumstances.

The McGrath Directors unanimously believe, based on the All-Cash Alternative, that the benefits of the Scheme outweigh its potential disadvantages and risks.

As outlined above, the McGrath Directors make no recommendation to McGrath Shareholders in relation to the Rollco Scrip Alternative, due to the speculative nature of the Rollco Shares and the fact that whether the Rollco Shares are appropriate will depend significantly on the characteristics and risk profile of the individual McGrath Shareholder. McGrath Shareholders who are considering making an Election to receive the Rollco Scrip Alternative should consider the risks associated with the Rollco Scrip Alternative outlined above.

If McGrath Shareholders elect to receive the Rollco Scrip Alternative, it will provide them with an indirect ongoing interest in McGrath, which will be unlisted and have different features from their existing McGrath Shares. McGrath Shareholders should carefully read sections 7 and 8 of this Scheme Booklet and seek professional advice before making any Election to receive the Rollco Scrip Alternative.

Independent Expert

The McGrath Directors appointed Lonergan Edwards as the Independent Expert to provide an opinion on the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders, in the absence of a Superior Proposal.

McGrath Shareholders should note that the Independent Expert has assessed the underlying value of the Rollco Scrip Alternative in the immediate or short term post implementation of the Scheme at between \$0.53 and \$0.61 per McGrath Share. The midpoint value of the Rollco Scrip Alternative is therefore less than the All-Cash Alternative. This assessment of underlying value assumes the holder of Rollco Shares has 100% control of Rollco and an unfettered ability to transact in the securities in Rollco. It is important for McGrath Shareholders to note that the underlying values do not incorporate any minority interest or lack of marketability or illiquidity discounts and accordingly, do not represent the values that may be realised if they theoretically sought to dispose of the Rollco Shares in the immediate or short term post implementation of the Scheme (i.e. theoretical cash equivalent).

After allowing for discounts, the Independent Expert has stated in its opinion, the realisable value of the Rollco Scrip Alternative immediately post implementation of the Scheme is likely to be materially less than its valuation of the Rollco Scrip Alternative, and as noted above, at the midpoint this is less than both:

- the All-Cash Alternative; and
- its valuation of McGrath Shares.

Having regard to the above, the Independent Expert has evaluated the Scheme by reference to the value of the All-Cash Alternative only.

A copy of the Independent Expert's Report is included in Annexure 1.

What should you do?

The Scheme can only be implemented if approved by the Requisite Majorities of McGrath Shareholders at the Scheme Meeting which is scheduled for 10.00am on Tuesday, 11 June 2024 at Level 2, 19 Harris Street, Pyrmont NSW 2009.

Your vote is important and I encourage you to vote by attending the Scheme Meeting or alternatively by completing the proxy form accompanying this Scheme Booklet.

If you wish the Scheme to proceed, it is important that you vote in favour of the Scheme so that it is approved.

Further information

You should carefully read this Scheme Booklet in its entirety before making any decision in relation to the Scheme.

If you have any questions, please contact the McGrath Shareholder Information Line on 1300 730 659 (within Australia) or +61 1300 730 659 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser without delay.

On behalf of the McGrath Board, I would like to take this opportunity to thank you for your continued support of McGrath.

Yours sincerely,



Peter Lewis

Chair

McGrath Limited

Key dates

Key dates

Event	Time and date
First Court Date (Court hearing to approve dispatch of this Scheme Booklet)	Tuesday, 7 May 2024
Election Deadline (latest time and date for receipt of an Election Form by the McGrath Share Registry)	7.00pm on Monday, 3 June 2024
Announcement to ASX of indicative Election results	Tuesday, 4 June 2024
Latest time and date for receipt of proxy forms or powers of attorney by the McGrath Share Registry for the Scheme Meeting	10.00am on Sunday, 9 June 2024
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm on Sunday, 9 June 2024
Scheme Meeting	10.00am on Tuesday, 11 June 2024
Permitted Dividend Record Date (if the McGrath Directors decide to pay a Permitted Dividend)	7.00pm on Wednesday, 12 June 2024
If the Scheme is approved by McGrath Shareholders	
Second Court Date (Court hearing to approve the Scheme)	Friday, 14 June 2024
Effective Date Court order lodged with ASIC and announcement to ASX Last day of trading in McGrath Shares – McGrath Shares will be suspended from trading on ASX from close of trading	Monday, 17 June 2024
Permitted Dividend Payment Date (if the McGrath Directors decide to pay a Permitted Dividend)	Wednesday, 19 June 2024
Scheme Record Date (for determining entitlements to Scheme Consideration)	Thursday, 20 June 2024
Implementation Date Provision of Scheme Consideration	Thursday, 27 June 2024

All times and dates in the above timetable are references to the time and date in Sydney, Australia and all such times and dates are subject to change. Certain times and dates are conditional on the approval of the Scheme by McGrath Shareholders and by the Court. Any changes will be announced by McGrath to the ASX.

Key considerations relevant to your vote

1 Key considerations relevant to your vote

The Scheme has a number of advantages and disadvantages that may affect McGrath Shareholders in different ways depending on their individual circumstances. Those advantages and disadvantages are described in this section 1, a summary of which is set out in section 1.1.

Section 1.2 describes some of the reasons as to why the McGrath Board unanimously recommend McGrath Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders. This section should be read in conjunction with section 1.3, which sets out reasons as to why McGrath Shareholders may wish to vote against the Scheme.

While the McGrath Directors acknowledge the reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages.

You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote. You should also seek professional advice on your particular circumstances, as appropriate.

1.1 Summary of reasons why you might vote in favour of or against the Scheme

(a) Why you should vote in favour of the Scheme

- ✓ The McGrath Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders;
- ✓ Based on the All-Cash Alternative, the Independent Expert has concluded that the Scheme is fair and reasonable and in your best interests;
- ✓ The All-Cash Alternative represents a significant premium to McGrath's closing share price of \$0.47 on 22 March 2024 (being the last day on which McGrath Shares traded before the Scheme was announced);
- ✓ McGrath Shareholders who elect to receive the All-Cash Alternative will receive certainty of value and the opportunity to immediately realise their investment for cash, avoiding the uncertainties and risks associated with McGrath's business;
- ✓ No Superior Proposal has emerged as at the date of this Scheme Booklet;
- ✓ McGrath's share price may fall in the near-term if the Scheme is not implemented and in the absence of a Superior Proposal; and
- ✓ Brokerage charges will not apply to the transfer of your McGrath Shares under the Scheme.

(b) Why you may consider voting against the Scheme

- × You may disagree with the McGrath Board's unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests;
- × You may wish to maintain your direct investment in McGrath as an ASX-listed company;
- × You may believe it is in your best interests to maintain your current investment and risk profile;
- × You may believe that there is potential for a Superior Proposal to emerge in the foreseeable future; and
- × The tax consequences of the Scheme may not suit your individual position and circumstances.

1.2 Why you should vote in favour of the Scheme

(a) The McGrath Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable in the best interests of McGrath Shareholders

The McGrath Directors unanimously recommend that McGrath Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and therefore, in the best interests of McGrath Shareholders.⁶

Subject to those same qualifications, each McGrath Director intends to vote all their McGrath Shares in favour of the Scheme. The interests of the McGrath Directors in McGrath Shares are set out in section 10.1.

The McGrath Directors' unanimous recommendation of the Scheme is based on the quantum of the All-Cash Alternative. The McGrath Directors make no recommendation in relation to the Rollco Scrip Alternative.

The McGrath Directors note that whether the Rollco Scrip Alternative is appropriate will depend significantly on the characteristics and risk profile of individual McGrath Shareholders, noting that any investment in unlisted scrip in Rollco would represent a fundamentally different investment than the current investment in McGrath.

McGrath Shareholders who are considering electing to receive the Rollco Scrip Alternative should first read this Scheme Booklet carefully, including sections 7 and 8 to ensure they understand the nature of the Rollco Shares and their associated risks, and seek professional advice as to whether electing to receive the Rollco Scrip Alternative suits their particular circumstances.

⁶ Subject to implementation of the Scheme, Managing Director and Chief Executive Officer of McGrath, Mr John McGrath, may receive a cash payment of up to \$250,000 (see section 10.3(f)). The McGrath Board considers that, despite this arrangement, it is appropriate for Mr McGrath to make a recommendation on the Scheme, given his role in the operation and management of the McGrath Group. Mr McGrath also considers that it is appropriate for him to make a recommendation in relation to the Scheme.

(b) Based on the All-Cash Alternative, the Independent Expert has concluded that the Scheme is fair and reasonable and in your best interests

The McGrath Board appointed Lonergan Edwards to prepare the Independent Expert's Report, including an opinion as to whether the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the value of McGrath Shares on a 100% controlling interest basis at \$0.55 to \$0.63 per McGrath Share. The All-Cash Alternative of \$0.60 per McGrath Share is within this range.

McGrath Shareholders should note that the Independent Expert has assessed the underlying value of the Rollco Scrip Alternative in the immediate or short term post implementation of the Scheme at between \$0.53 and \$0.61 per McGrath Share. The midpoint value of the Rollco Scrip Alternative is therefore less than the All-Cash Alternative. This assessment of underlying value assumes the holder of Rollco Shares has 100% control of Rollco and an unfettered ability to transact in the securities in Rollco. It is important for McGrath Shareholders to note that the underlying values do not incorporate any minority interest or lack of marketability or illiquidity discounts and accordingly, do not represent the values that may be realised if they theoretically sought to dispose of the Rollco Shares in the immediate or short term post implementation of the Scheme (i.e. theoretical cash equivalent).

After allowing for discounts, the Independent Expert has stated in its opinion, the realisable value of the Rollco Scrip Alternative immediately post implementation of the Scheme is likely to be materially less than its valuation of the Rollco Scrip Alternative, and as noted above, at the midpoint this is less than both:

- the All-Cash Alternative; and
- its valuation of McGrath shares.

Having regard to the above, the Independent Expert has evaluated the Scheme by reference to the value of the All-Cash Alternative only.

The reasons why the Independent Expert has formed their conclusion that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders are set out in the Independent Expert's Report, a copy of which is included as Annexure 1 of this Scheme Booklet. The McGrath Board encourages you to read the Independent Expert's Report in its entirety.

As at the date of this Scheme Booklet, the Independent Expert has not changed or qualified its conclusion, and no Superior Proposal has emerged.

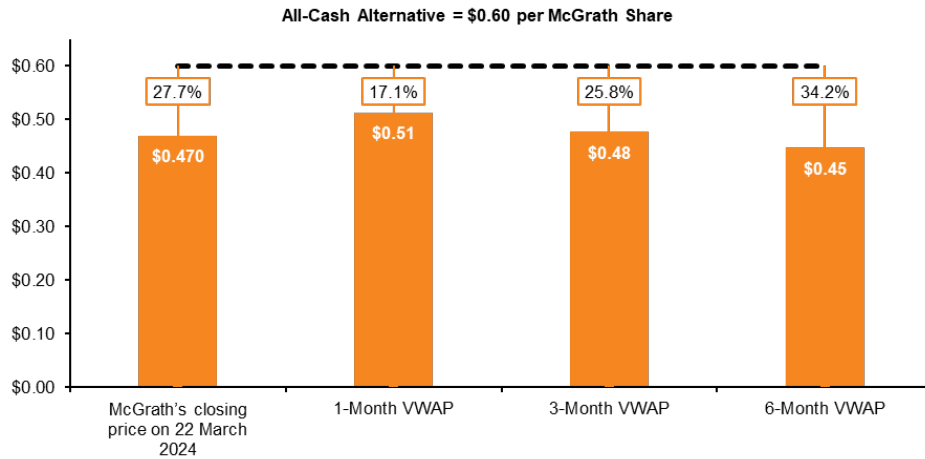
(c) The All-Cash Alternative represents a significant premium to McGrath's share price

The All-Cash Alternative of \$0.60 per McGrath Share under the Scheme represents an attractive premium of:

- 27.7% to the McGrath's closing price of \$0.47 on 22 March 2024⁷;
- 17.1% to the 1-month VWAP⁸ of \$0.51;
- 25.8% to the 3-month VWAP⁸ of \$0.48; and
- 34.2% to the 6-month VWAP⁸ of \$0.45.

⁷ Being the last day on which McGrath Shares traded before the Scheme was announced.

⁸ Volume weighted average price (**VWAP**) based on cumulative trading volume and value on ASX up to and including 22 March 2024.



McGrath's share price appears to have generally tracked the All-Cash Alternative since the Scheme was announced on 25 March 2024. Accordingly, the All-Cash Alternative does not represent a premium to McGrath's closing share price of \$0.60 on the Last Practicable Date.

(d) McGrath Shareholders who receive the All-Cash Alternative will receive certainty of value and the opportunity to immediately realise their investment for cash, avoiding the uncertainties and risks associated with McGrath's business

The All-Cash Alternative provides McGrath Shareholders with certainty of value and the opportunity to realise their investment in full for the Scheme Consideration.

In particular, the All-Cash Alternative, with its significant premium to recent trading prices, provides certainty against the risks associated with the execution of McGrath's long term strategy.

If the Scheme does not proceed, the value which McGrath Shareholders may be able to realise from their investment in McGrath through share price performance and dividends will necessarily be uncertain and subject to a number of risks, including those outlined in section 8.

The All-Cash Alternative under the Scheme removes these risks and uncertainties for McGrath Shareholders and allows McGrath Shareholders to exit their investment in McGrath at a price that McGrath Directors consider attractive.

McGrath Shareholders who are considering electing to receive the Rollco Scrip Alternative should first read this Scheme Booklet carefully, including sections 7 and 8 to ensure they understand the nature of the Rollco Shares and their associated risks, and seek professional advice as to whether electing to receive the Rollco Scrip Alternative suits their particular circumstances.

(e) No Superior Proposal has emerged

Since the proposed Scheme was announced up until the date of this Scheme Booklet, no Superior Proposal has emerged.

The McGrath Board is not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

(f) McGrath's share price may fall in the near-term if the Scheme is not implemented and in the absence of a Superior Proposal

If the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the McGrath Board, then the McGrath Share price is expected to fall.

Since market close on 22 March 2024 (being the last day on which McGrath Shares traded before the Scheme was announced), the McGrath Share price has increased by 27.7% up to a closing price of \$0.60 on Last Practicable Date.

(g) Brokerage charges will not apply to the transfer of your McGrath Shares under the Scheme

You will not incur any brokerage charges on the transfer of your McGrath Shares to Bidder under the Scheme.

It is possible that such brokerage charges (and, potentially GST on those charges) would be incurred if you dispose of your McGrath Shares other than under the Scheme.

1.3 Why you may consider voting against the Scheme

(a) You may disagree with the McGrath Board's unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests

Despite the unanimous recommendation of the McGrath Board to vote in favour of the Scheme and the conclusion of the Independent Expert that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders, you may believe that the Scheme is not in your best interests.

(b) You may wish to maintain your direct investment in McGrath as an independent ASX-listed company

You may wish to maintain your investment in McGrath in order to have an investment in a publicly listed company with the specific characteristics of McGrath including in terms of industry, operational profile, size, capital structure, liquidity and potential dividend payments. Implementation of the Scheme may be considered a disadvantage by those who wish to maintain their investment profile.

If the Scheme is implemented and you receive the All-Cash Alternative, you will no longer be a McGrath Shareholder and will forgo any benefits that may result from being a McGrath Shareholder.

This will mean that you will not participate in the future performance of McGrath or retain any exposure to McGrath's business or assets or have the potential to share in the value that could be generated by McGrath in the future. However, there is no guarantee as to McGrath's future performance, as is the case with all investments. You may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of McGrath or may incur transaction costs in undertaking any new investment.

By electing to receive the Rollco Scrip Alternative, Eligible McGrath Shareholders can choose to invest in Rollco, a newly formed unlisted company. This will directly provide McGrath Shareholders who elect to receive Rollco Scrip Alternative with an ongoing economic exposure to McGrath if the Scheme is implemented. However, an investment in Rollco is not the same as an investment in McGrath, and an investment in Rollco will have different characteristics (including with respect to your rights and the returns and liquidity profiles) than your current investment in McGrath. In particular, an investment in Rollco will not involve various protections which shareholders experience when investing in an ASX-listed company.

See sections 7 and 8 for further information on the Rollco Scrip Alternative and the risks associated with holding unlisted shares in Rollco.

McGrath Shareholders who are considering electing to receive the Rollco Scrip Alternative should first read this Scheme Booklet carefully, including sections 7 and 8 to ensure they understand the nature of the Rollco Shares and their associated risks, and seek professional advice as to whether electing to receive the Rollco Scrip Alternative suits their particular circumstances.

(c) You may believe it is in your best interests to maintain your current investment and risk profile

You may prefer to keep your McGrath Shares to preserve your investment in a listed company with the specific characteristics of McGrath.

In particular, you may consider that, despite the risk factors relevant to McGrath's potential future operations (including those set out in section 8), McGrath may be able to return greater value from its assets by remaining a standalone entity or by seeking alternative corporate transactions in the future.

You may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of McGrath or may incur transaction costs in undertaking any new investment.

(d) You may believe that there is potential for a Superior Proposal to emerge

You may consider that a Superior Proposal could emerge in the future. The McGrath Board is, as at the date of this Scheme Booklet, not aware of, and has not received, any Superior Proposal.

(e) The tax consequences of transferring your McGrath Shares pursuant to the Scheme may not be attractive to you

The tax consequences of the Scheme will depend on your personal situation. You may consider that the tax consequences of transferring your McGrath Shares to Bidder pursuant to the Scheme are not attractive to you.

McGrath Shareholders should read the tax implications of the Scheme outlined in section 9. However, section 9 is general in nature, and McGrath Shareholders should consult with their own independent taxation advisers regarding the tax implications of the Scheme.

Frequently asked questions

2 Frequently asked questions

This section 2 answers some frequently asked questions relating to the Scheme. It is not intended to address all relevant issues for McGrath Shareholders. This section 2 should be read together with all other parts of this Scheme Booklet.

Question	Answer	More information
Overview of the Scheme		
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent to you because you are a McGrath Shareholder and you are being asked to vote on the Scheme. This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.	Section 4
What is the Scheme?	<p>The Scheme is a scheme of arrangement between McGrath and the Scheme Shareholders.</p> <p>A “scheme of arrangement” is a statutory procedure in the Corporations Act that is commonly used in transactions in Australia that may result in a change of ownership or control of a company. In addition to requiring Court approval, schemes of arrangement require a shareholder vote in favour of a resolution to implement the scheme of arrangement by the Requisite Majorities.</p> <p>If the Scheme becomes effective, Bidder will acquire all of the Scheme Shares for the Scheme Consideration. McGrath will be delisted from the ASX and become a wholly owned subsidiary of Bidder.</p>	Section 4 and Annexure 2
Who are the Consortium, Bidder and Rollco?	<p>The Consortium comprises KFA, a wholly-owned subsidiary of Knight Frank LLP, and BCL, a wholly-owned subsidiary of Bayley Corporation Limited.</p> <p>Knight Frank LLP is a global real estate consultancy and estate agency headquartered in London, England. In Australia, it offers commercial property services in the core and alternative sectors, including office, retail, industrial, hotel and agriculture.</p> <p>Bayley Corporation Limited is the parent company for the Bayleys Group, New Zealand’s largest, private full-service property company. It offers an array of property-related services and sector-specific expertise.</p> <p>Bidder is an Australian proprietary company incorporated for the purpose of acquiring all of the McGrath Shares.</p> <p>Rollco is an unlisted Australian public company incorporated for the purpose of holding all shares in Bidder, as well as issuing the Rollco Shares to McGrath Shareholders who make a valid Election to receive the Rollco Scrip Alternative.</p>	Section 6

Question	Answer	More information
Recommendations and intentions		
<p>What does the McGrath Board recommend?</p>	<p>The McGrath Board unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.⁹</p> <p>The McGrath Board's unanimous recommendation is based on the quantum of the All-Cash Alternative. The McGrath Board makes no recommendation in relation to the Rollco Scrip Alternative.</p> <p>The reasons for this recommendation and other relevant considerations are set out in section 1. The McGrath Board encourages you to seek independent legal, financial, taxation or other appropriate professional advice.</p>	<p>Letter from the Chair of the McGrath Board</p>
<p>What are the intentions of the McGrath Directors?</p>	<p>Each McGrath Director intends to vote, or procure the voting of, any McGrath Shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.</p>	<p>Letter from the Chair of the McGrath Board and section 1.2(a)</p>
<p>What is the conclusion of the Independent Expert?</p>	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders, in the absence of a Superior Proposal.</p> <p>The Independent Expert has assessed the value of McGrath Shares on a 100% controlling interest basis at \$0.55 to \$0.63 per McGrath Share. The All-Cash Alternative of \$0.60 per McGrath Share is within this range.</p> <p>The reasons why the Independent Expert has formed their conclusion are set out in the Independent Expert's Report, a copy of which is included as Annexure 1 of this Scheme Booklet. The McGrath Board encourages you to read the Independent Expert's Report carefully and in its entirety.</p>	<p>Annexure 1</p>

⁹ Subject to implementation of the Scheme, Managing Director and Chief Executive Officer of McGrath, Mr John McGrath, may receive a cash payment of up to \$250,000 (see section 10.3(f)). The McGrath Board considers that, despite this arrangement, it is appropriate for Mr McGrath to make a recommendation on the Scheme, given his role in the operation and management of the McGrath Group. Mr McGrath also considers that it is appropriate for him to make a recommendation in relation to the Scheme.

Question	Answer	More information
What are Bidder's intentions if the Scheme is implemented?	The intentions of Bidder for McGrath if the Scheme proceeds are set out in section 6.5.	Section 6.5
Overview of the Scheme Consideration		
What is the Scheme Consideration?	<p>If the Scheme is implemented, Scheme Shareholders will be entitled to receive either:</p> <ul style="list-style-type: none"> the All-Cash Alternative of \$0.60 cash per McGrath Share held by them on the Scheme Record Date; or if they make a valid Election and certain other conditions are satisfied, the Rollco Scrip Alternative (see section 4.4 for further details) or a combination of the All-Cash Alternative and Rollco Scrip Alternative. <p>If the Scheme is implemented, Scheme Shareholders will receive the All-Cash Alternative unless they make a valid Election to receive the Rollco Scrip Alternative.</p> <p>In addition, if the Permitted Dividend is paid, McGrath Shareholders will receive the amount of the Permitted Dividend in cash per McGrath Share held by them on the Permitted Dividend Record Date.</p>	Section 4.2
What is the Rollco Scrip Alternative?	<p>The Rollco Scrip Alternative is an alternative to receiving the All-Cash Alternative and will only be available to you if you make an Election to receive the Rollco Scrip Alternative.</p> <p>The Rollco Scrip Alternative comprises unlisted scrip in Rollco, being one fully paid ordinary share in Rollco per McGrath Share.</p> <p>McGrath Shareholders who validly elect to receive the Rollco Scrip Alternative may be subject to the Scaleback Arrangements described in section 4.4(b).</p>	Section 4.4
Who is an Ineligible Foreign Shareholder and how will they be treated under the Scheme?	<p>You will be an Ineligible Foreign Shareholder if your address, as shown in the McGrath Share Register as at the Scheme Record Date, is a place outside Australia, unless McGrath and Bidder agree otherwise.</p> <p>If you are an Ineligible Foreign Shareholder, you will receive the All-Cash Alternative for all of your Scheme Shares.</p>	Sections 4.4(d) and 10.9

Question	Answer	More information
<p>What should I consider when deciding whether to make an Election to receive the Rollco Scrip Alternative?</p>	<p>You should form your own view as to whether you wish to make an Election to receive the Rollco Scrip Alternative based on your individual circumstances, financial situation, tax position, investment objectives and risk profile. You should also consult your legal, financial, tax or other professional adviser before making such an Election.</p> <p>It is important to understand that any investment in unlisted scrip in Rollco would represent a fundamentally different investment than your current investment in McGrath as an ASX-listed company.</p> <p>Electing to receive the Rollco Scrip Alternative carries additional risks, including:</p> <ul style="list-style-type: none"> • there will be no public market for the trading of shares in Rollco (an unlisted public company) post-implementation of the Scheme, nor is there expected to be any such market in the future; • there are restrictions on the disposal of shares in Rollco under the Rollco Shareholders' Deed that will restrict any prospective seller of shares in Rollco from trading in their shares in Rollco; • McGrath Shareholders who receive shares in Rollco under the Scheme will become parties to the Rollco Shareholders' Deed which is intended to govern the relationship between investors in Rollco, and will have fewer rights as a shareholder in Rollco when compared to your current investment in McGrath; • McGrath Shareholders who receive shares in Rollco under the Scheme will be subject to risks inherent in minority shareholdings (as McGrath Shareholders who receive shares in Rollco under the Scheme will collectively have no more than a 35% interest in Rollco); • an investment in Rollco will not involve various protections which McGrath Shareholders experience when investing in an ASX-listed company; • after the first anniversary of the implementation of the Scheme, the Rollco Board will have the power to require each McGrath Shareholder who receives shares in Rollco under the Scheme which had, at the time of the implementation of the Scheme, an implied aggregate value of \$10,000 or less to dispose of their Rollco Shares. That is, such McGrath Shareholders who receive shares in Rollco under the Scheme may be forced to sell their Rollco Shares in any event after one year following the implementation of the Scheme; • there is no guarantee that McGrath Shareholders who receive shares in Rollco under the Scheme will want to sell their Rollco Shares at the same time as a decision is made by the Consortium to 	<p>Letter from the Chair of the McGrath Board and sections 7 and 8</p>

Question	Answer	More information
	<p>'exit' its investment in the McGrath business. Despite this, if a decision to exit is made, all shareholders in Rollco will be forced to sell their Rollco Shares under the Rollco Shareholders' Deed; and</p> <ul style="list-style-type: none"> McGrath Shareholders who receive a minority interest in Rollco under the Scheme will be unable to exert a controlling influence over the major decisions, strategic direction and dividend policy of Rollco and will be fundamentally unable to access the underlying cash flows of the McGrath business. 	
<p>What is the Minimum Rollco Scrip Alternative Threshold</p>	<p>The Rollco Scrip Alternative will only be available if there are scrip elections from Eligible McGrath Shareholders of more than the Minimum Rollco Scrip Alternative Threshold, being 22% of McGrath Shares.</p> <p>This threshold is expected to be met as Managing Director and Chief Executive Officer of McGrath, Mr John McGrath, intends to elect to receive the Rollco Scrip Alternative for all his McGrath Shares, being, in aggregate, approximately 23.3% of the McGrath Shares on issue. Mr McGrath made this decision after the Consortium indicated in putting forward its proposal that it was important to them that Mr McGrath continue his involvement in McGrath.</p>	<p>Letter from the Chair of the McGrath Board and section 7.1</p>
<p>What is the Maximum Rollco Scrip Alternative Threshold and Scaleback Arrangements</p>	<p>If scrip elections are received in respect of more than the Maximum Rollco Scrip Alternative Threshold, being 35% of Rollco Shares, then the Scaleback Arrangements will apply such that the total number of Rollco Shares issued to McGrath Shareholders on implementation of the Scheme will be no greater than 35%.</p>	<p>Letter from the Chair of the McGrath Board and section 7.1</p>
<p>Do I need to elect to receive the All-Cash Alternative</p>	<p>No. If the Scheme is implemented, McGrath Shareholders will automatically receive the All-Cash Alternative unless they make a valid Election to receive the Rollco Scrip Alternative.</p>	<p>Section 4.2</p>

Question	Answer	More information
When and how will I receive my Scheme Consideration?	<p>If the Scheme becomes effective:</p> <ul style="list-style-type: none"> • Scheme Shareholders will be sent or issued (as applicable) the Scheme Consideration on the Implementation Date (currently expected to be Thursday, 27 June 2024); and • if the McGrath Directors decide to pay the Permitted Dividend, McGrath Shareholders on the McGrath Share Register as at the Permitted Dividend Record Date will be paid the Permitted Dividend on the Permitted Dividend Payment Date (currently expected to be Wednesday, 19 June 2024). <p>Scheme Shareholders receiving the All-Cash Alternative who have validly registered their bank account details with the McGrath Share Registry before the Scheme Record Date may have their Scheme Consideration sent directly to their bank account. Otherwise, Scheme Shareholders will have their All-Cash Alternative sent by cheque to their address shown on the McGrath Share Register.</p> <p>Scheme Shareholders receiving the Rollco Scrip Alternative will receive notification of their holding of the unlisted scrip in Rollco shortly after the Implementation Date.</p>	Section 4.5
Will I have to pay brokerage?	You will not have to pay brokerage on the transfer of your McGrath Shares to Bidder under the Scheme.	Section 1.2(g)
What are the taxation implications of the Scheme?	<p>The taxation implications of the Scheme will depend on your particular circumstances.</p> <p>Section 9 provides a general description of the Australian taxation consequences for Scheme Shareholders.</p> <p>You should seek independent professional taxation advice with respect to your particular circumstances.</p> <p>McGrath will apply to the ATO requesting a class ruling to confirm the key taxation implications of the Scheme and any Permitted Dividend.</p> <p>The class ruling has not been finalised as at the date of this Scheme Booklet. McGrath expects that the ATO will provide a draft of the class ruling or other indicative confirmation in a form acceptable to McGrath prior to the Scheme Meeting. McGrath will make an announcement to the ASX if it receives a draft of the class ruling before the Scheme Meeting.</p> <p>When the final class ruling is published by the ATO, it will be available on the ATO's website at www.ato.gov.au.</p>	Section 9

Question	Answer	More information
Permitted Dividend		
What is the Permitted Dividend?	<p>The McGrath Board currently intends to pay a fully franked Permitted Dividend prior to the Implementation Date. Any Permitted Dividend will only be paid to the holders of McGrath Shares as at the Permitted Dividend Record Date. Any Permitted Dividend paid will not reduce the Scheme Consideration.</p> <p>The final decision on whether or not to pay a Permitted Dividend and the cash amount of that Permitted Dividend will be determined by the McGrath Directors subject to a number of factors as set out in section 4.3. The final decision will be communicated to McGrath Shareholders by way of an ASX announcement before the Scheme Meeting.</p>	Letter from the Chair of the McGrath Board and section 4.3
Will any Permitted Dividend be franked?	The McGrath Directors currently intend that, if any Permitted Dividend is to be paid, it will be fully franked.	Sections 4.3 and 9
Conditions to the Scheme		
Are there any conditions to the Scheme?	Yes. The conditions to the Scheme are summarised in section 4.6. As at the date of this Scheme Booklet, the McGrath Board is not aware of any reason why any condition to the Scheme will not be satisfied.	Section 4.6
What is required for the Scheme to become effective?	<p>The Scheme will become effective if:</p> <ul style="list-style-type: none"> the Scheme is approved by the Requisite Majorities of McGrath Shareholders at the Scheme Meeting to be held on 11 June 2024; the Court approves the Scheme at the Second Court Hearing; and all of the other conditions precedent to the Scheme are satisfied or waived (as applicable). 	N/A
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held at 10.00am (Sydney time) at Level 2, 19 Harris Street, Pymont NSW 2009 on Tuesday, 11 June 2024.	Annexure 7
What will McGrath Shareholders be asked to vote on at the Scheme Meeting?	At the Scheme Meeting, McGrath Shareholders will be asked to vote on whether to approve the Scheme.	Annexure 7

Question	Answer	More information
What is the McGrath Shareholder approval threshold for the Scheme?	<p>In order to become effective, the Scheme must be approved by the Requisite Majorities, being:</p> <ul style="list-style-type: none"> • unless the Court orders otherwise, a majority in number (more than 50%) of McGrath Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate McGrath Shareholders, body corporate representative); and • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by McGrath Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate McGrath Shareholders, body corporate representative). <p>Even if the Scheme is approved by the Requisite Majorities of McGrath Shareholders at the Scheme Meeting, the Scheme is still subject to the approval of the Court.</p>	Section 4.8
Am I entitled to vote at the Scheme Meeting?	<p>If you are registered as a McGrath Shareholder on the McGrath Share Register as at Scheme Record Date (currently expected to be 7.00pm (Sydney time) on Thursday, 20 June 2024), you will be entitled to attend and vote at the Scheme Meeting.</p>	Annexure 7
How can I vote if I can't attend the Scheme Meeting?	<p>If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy (including by lodging your proxy form online at https://investorcentre.linkgroup.com) or attorney to attend and vote on your behalf. You may also vote by corporate representative if that option is applicable to you.</p>	Annexure 7
When will the results of the Scheme Meeting be known?	<p>The results of the Scheme Meeting are expected to be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX (www.asx.com.au) once available.</p>	N/A
What happens to my McGrath Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes effective and is implemented?	<p>If you do not vote, or vote against the Scheme, and the Scheme becomes effective and is implemented, any Scheme Shares held by you on the Scheme Record Date (currently expected to be 7.00pm (Sydney time) on Thursday, 20 June 2024) will be transferred to Bidder and you will receive the Scheme Consideration, despite not having voted or having voted against the Scheme.</p>	Section 4.8(a)

Question	Answer	More information
What will happen if the Scheme is not implemented	<p>If the Scheme is not implemented:</p> <ul style="list-style-type: none"> • McGrath will remain an ASX-listed company and you will remain a McGrath Shareholder; • McGrath Shareholders will not receive the Scheme Consideration; • a break fee of \$955,065 may be payable by McGrath to Bidder under certain circumstances; and • the price of a McGrath Share will continue to be subject to market volatility and may fall in the absence of a Superior Proposal. 	Section 4.7
Other questions		
What happens if a Competing Proposal is received?	<p>If a Competing Proposal is received, the McGrath Board will carefully consider it.</p> <p>McGrath must notify Bidder of that Competing Proposal in accordance with the Scheme Implementation Deed.</p> <p>McGrath Shareholders should note that McGrath has agreed to certain exclusivity provisions in favour of Bidder under the Scheme Implementation Deed. However, these are subject to customary fiduciary exceptions which permit consideration of Competing Proposals.</p>	Sections 10.4(b)
Can I sell my McGrath Shares now?	<p>You can sell your McGrath Shares on market at any time before the close of trading on the ASX on the Effective Date at the then prevailing market price (which may vary from the Scheme Consideration).</p> <p>McGrath intends to apply to the ASX for McGrath Shares to be suspended from trading on the ASX from close of trading on the Effective Date. You will not be able to sell your McGrath Shares on market after this date.</p> <p>If you sell your McGrath Shares on market, you may pay brokerage on the sale, you will not receive the Scheme Consideration and there may be different tax consequences compared to those that would arise if you retain those shares until the Scheme is implemented.</p>	N/A

Question	Answer	More information
What if I have further questions about the Scheme?	<p>For further information, please contact the McGrath Shareholder Information Line on 1300 730 659 (within Australia) or +61 1300 730 659 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal, taxation or other professional adviser immediately.</p>	N/A

What should you do?

3 What should you do?

3.1 Step 1: Read this Scheme Booklet

You should carefully read this Scheme Booklet in its entirety before deciding whether to vote in favour of the Scheme.

If you have any questions, please contact the McGrath Shareholder Information Line on 1300 730 659 (within Australia) or +61 1300 730 659 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser without delay.

3.2 Step 2: Vote on the Scheme

(a) Your vote is important

For the Scheme to proceed, it is necessary that sufficient McGrath Shareholders vote in favour of the Scheme.

(b) Who is entitled to vote?

If you are registered on the McGrath Share Register at 7.00pm (Sydney time) on Sunday, 9 June 2024, you will be entitled to vote on the Scheme.

(c) How to vote?

You may vote:

- **in person**, by attending the Scheme Meeting;
- **by proxy**, by lodging a proxy form online at <https://investorcentre.linkgroup.com> or by completing, signing and lodging a proxy form for the Scheme Meeting in accordance with the instructions set out on the form. To be valid, your proxy form must be received by the McGrath Share Registry by 10.00am (Sydney time) on Sunday, 9 June 2024;
- **by attorney**, by appointing an attorney to attend and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the McGrath Share Registry by 10.00am (Sydney time) on Sunday, 9 June 2024; or
- **by corporate representative**, in the case of a body corporate which is a McGrath Shareholder, by appointing a corporate representative to attend and vote at the Scheme Meeting on behalf of that McGrath Shareholder and providing a duly executed certificate of appointment (in accordance with sections 250D of the Corporations Act) prior to the Scheme Meeting.

Further details on how to vote are contained in Annexure 7.

3.3 Step 3: Consider whether to make an Election

If you are a Scheme Shareholder (other than an Ineligible Foreign Shareholder), you can make an Election to receive either the All-Cash Alternative or Rollco Scrip Alternative, or a combination of both.

If you do not make a valid Election and the Scheme is implemented, you will receive the All-Cash Alternative by default.

For further information on how to make a valid Election, see section 4.4(d).

Overview of the Scheme

4 Overview of the Scheme

4.1 Background to the Scheme

On 24 March 2024, McGrath, Bidder, KFA and Bayleys entered into a Scheme Implementation Deed, under which the parties have agreed to implement the Scheme between McGrath and McGrath Shareholders. A full copy of the Scheme Implementation Deed was attached to McGrath's announcement to the ASX relating to the Scheme on 25 March 2024. A full copy of the Scheme Implementation Deed can be obtained from the ASX website (www.asx.com.au).

4.2 Overview of the Scheme Consideration

If the Scheme is implemented, Scheme Shareholders will be entitled to receive either:

- the All-Cash Alternative of \$0.60 cash per McGrath Share held by them on the Scheme Record Date; or
- if they make a valid Election and certain other conditions are satisfied, the Rollco Scrip Alternative (see section 4.4 for further details) or a combination of both the All-Cash Alternative and Rollco Scrip Alternative.

If the Scheme is implemented, Scheme Shareholders will receive the All-Cash Alternative unless they make a valid Election to receive the Rollco Scrip Alternative.

In addition, if the Permitted Dividend is paid, McGrath Shareholders will receive the amount of the Permitted Dividend in cash per McGrath Share held by them on the Permitted Dividend Record Date.

4.3 Permitted Dividend

(a) Introduction

The McGrath Board currently intends to pay a fully franked Permitted Dividend prior to the Implementation Date subject to certain conditions described in this section 4.3, including McGrath having Net Cash Reserves not below \$23 million after deducting the aggregate amount of the Permitted Dividend and adjusting for transaction costs.

The final decision on whether or not to pay a Permitted Dividend and the cash amount of that Permitted Dividend will be determined by the McGrath Directors having regard to a number of factors, including whether McGrath has received a draft class ruling from the ATO or other indicative confirmation from the ATO in a form acceptable to McGrath, the level of transaction costs incurred (or expected to be incurred) by McGrath as at the Determination Date (currently expected to be 31 May 2024), the availability of franking credits and the requirements of the Corporations Act.

Any Permitted Dividend will not be conditional on any aspect of the Scheme. In other words, if the Scheme does not become effective, any Permitted Dividend may still be payable subject to the determination of the McGrath Directors.

If a Permitted Dividend is paid, this will be in addition to the Scheme Consideration and you may be entitled to the franking credits (if any) attached to any Permitted Dividend.

To assess any benefit to them of franking credits (if any) attached to any Permitted Dividend, McGrath Shareholders should seek independent professional taxation advice. Refer to section 9 for further details, including a general guide to the Australian taxation implications of the Scheme.

(b) Requirements

McGrath may (in its absolute discretion) declare and pay a Permitted Dividend to McGrath Shareholders, provided that:

- the Permitted Dividend must be paid in cash;
- the Net Cash Reserves of McGrath at 11.59pm on the Determination Date (currently expected to be 31 May 2024) must not be below \$23 million after deducting the aggregate amount of the Permitted Dividend;
- the Net Cash Reserves will be:
 - assessed based on the McGrath Group's cash and cash equivalents, comprising cash at bank and short term deposits with an original maturity of nine months or less;
 - increased by the amount of transaction costs (including GST) which have been paid by McGrath as at the Determination Date;
 - increased by any amount by which McGrath's estimated transaction costs (excluding GST) as at the Determination Date are less than \$4 million; and
 - decreased by any amount by which McGrath's estimated transaction costs (excluding GST) as at the Determination Date are more than \$4 million;
- if the timetable for the Transaction is delayed and the End Date is extended (as described in section 10.4(g)):
 - the Determination Date will change from 31 May 2024 to 30 June 2024 unless the Scheme Meeting occurs by 11 July 2024;
 - to the extent the delay is caused by an unreasonable delay by the Consortium or Bidder Group, the cash amount of the Permitted Dividend will be increased by the amount of the incremental costs incurred by McGrath as a consequence of the delay; and
 - to the extent the delay is caused by an unreasonable delay by McGrath, the cash amount of the Permitted Dividend will be reduced by the amount of the incremental costs incurred by Bidder as a consequence of the delay;
- the Permitted Dividend may be fully franked, provided that its payment would not cause:
 - the franking account of McGrath to fall into deficit upon payment of the Permitted Dividend;
 - McGrath to incur any franking credit tax;
 - McGrath to incur or otherwise become liable for any fine or penalty in connection with any franking deficit;
 - McGrath to break the benchmark rule (as defined in section 203-25 of the Tax Act); or
 - the share capital account of McGrath to be debited or tainted;
- the record date for the Permitted Dividend must be at least two days before the Scheme Record Date;
- the payment date for the Permitted Dividend will be determined by McGrath (in its absolute discretion), provided that the payment date occurs prior to the Implementation Date; and
- the payment of the Permitted Dividend complies with the Corporations Act (see section 4.3(c) below).

(c) Corporations Act requirements

Under section 254T of the Corporations Act, dividends may only be paid by a company if:

- the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

In addition, section 260A of the Corporations Act enables a company to financially assist a person to acquire shares in the company or a holding company only if certain conditions are satisfied. Financial assistance of this kind would be permitted if the giving of assistance does not materially prejudice:

- the interests of the company;
- the interests of its shareholders; or
- the company's ability to pay its creditors.

The Corporations Act specifically contemplates that financial assistance (of the kind that is regulated under section 260A of the Corporations Act) may take the form of paying a dividend which may be given before the acquisition of shares. McGrath only intends to pay a Permitted Dividend if they can do so in compliance with section 260A.

The McGrath Directors will determine (in their absolute discretion) whether or not to pay a Permitted Dividend after assessing the Net Cash Reserves of McGrath as at the Determination Date (see section 4.3(b) above for further details), the financial position of the McGrath Group more generally and the expected impact on creditors. However, based on the information currently available, the McGrath Directors expect to be in a position to determine that paying a Permitted Dividend is in the best interests of McGrath and does not materially prejudice the interests of McGrath or McGrath Shareholders and does not materially prejudice McGrath's ability to pay its creditors.

(d) Announcement regarding any Permitted Dividend

The final decision of the McGrath Directors regarding the payment of any Permitted Dividend (and quantum) will be communicated to McGrath Shareholders by way of an ASX announcement before the Scheme Meeting.

(e) Impact of any Permitted Dividend

The Scheme Consideration will not be impacted by the amount of any Permitted Dividend.

4.4 Rollco Scrip Alternative

(a) Overview of the Rollco Scrip Alternative

Instead of receiving the All-Cash Alternative under the Scheme, Scheme Shareholders (other than Ineligible Foreign Shareholders) may make an Election (subject to certain limitations) to receive the Rollco Scrip Alternative in respect of some or all of their Scheme Shares.

The Rollco Scrip Alternative comprises unlisted scrip in Rollco, as described in sections 6 and 7.

(b) Scaleback Arrangements

The Scheme is conditional on there being scrip elections from Eligible McGrath Shareholders of more than 22% of Scheme Shares. This threshold is expected to be met as Managing Director and Chief Executive Officer of McGrath, Mr John McGrath, intends to elect to receive the Rollco Scrip Alternative for all his McGrath Shares, being, in aggregate, approximately 23.3% of the McGrath Shares on issue. Mr McGrath made this decision after the Consortium indicated in putting forward its proposal that it was important to them that Mr McGrath continue his involvement in McGrath. There will be a scaleback if the aggregate amount of Elections to receive the Rollco Scrip Alternative would otherwise result in Scheme Shareholders owning more than 35% of Rollco on implementation of the Scheme.

Where the calculation of the number of McGrath Shares that are subject to the Scaleback Arrangements would result in a Scheme Shareholder becoming entitled to receive the Rollco Scrip Alternative in relation to a fraction of a share, then the fractional entitlement will be rounded to the nearest whole number, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number.

McGrath intends to announce to the ASX (www.asx.com.au) the amount of Elections to receive the Rollco Scrip Alternative made by Scheme Shareholders on Tuesday, 4 June 2024.

(c) Notional value and value considerations for the Rollco Scrip Alternative

The Independent Expert has assessed the underlying value of the Rollco Scrip Alternative in the immediate or short term post implementation of the Scheme at between \$0.53 and \$0.61 per McGrath Share. The midpoint value of the Rollco Scrip Alternative is therefore less than the All-Cash Alternative. This assessment of underlying value assumes the holder of Rollco Shares has 100% control of Rollco and an unfettered ability to transact in securities in Rollco. It is important for McGrath Shareholders to note that the underlying values do not incorporate any minority interest or lack of marketability or illiquidity discounts and accordingly, do not represent the values that may be realised if they theoretically sought to dispose of the Rollco Shares in the immediate or short term post implementation of the Scheme (i.e. theoretical cash equivalent).

After allowing for discounts, the Independent Expert has stated in its opinion, the realisable value of the Rollco Scrip Alternative immediately post implementation of the Scheme is likely to be materially less than its valuation of the Rollco Scrip Alternative, and as noted above, at the midpoint this is less than both:

- the All-Cash Alternative; and
- its valuation of McGrath Shares.

McGrath Shareholders should also consider the factors identified by the Independent Expert before making any Election for the Rollco Scrip Alternative. Please refer to Annexure 1 for a copy of the Independent Expert's Report.

Further information in relation to the Rollco Shares is set out in section 7 and information relating to the risks associated with the Rollco Shares is set out in section 8.4.

The McGrath Board makes no recommendation to McGrath Shareholders in relation to the Rollco Scrip Alternative, due to the speculative nature of the Rollco Shares and the fact that whether the Rollco Shares are appropriate will depend significantly on the characteristics and risk profile of the individual McGrath Shareholder.

For information regarding how to make an Election to receive the Rollco Scrip Alternative, see section 4.4(d).

It is important to note that if a McGrath Shareholder sells their McGrath Shares before the Scheme Record Date, they will not receive the Scheme Consideration.

(d) How to make an Election

If you are a Scheme Shareholder (other than an Ineligible Foreign Shareholder), you may make an Election to receive either the All-Cash Alternative or the Rollco Scrip Alternative, or a combination of both, by either submitting an Election online at <https://events.miraqle.com/mea-scheme> or completing an Election Form in accordance with the instructions set out in the form and returning it to the McGrath Share Registry by no later than the Election Deadline (being 7.00pm (Sydney time) on Monday, 3 June 2024). If you are not a Scheme Shareholder or you are an Ineligible Foreign Shareholder, you are not eligible to make an Election or to receive the Rollco Scrip Alternative. If you are an Ineligible Foreign Shareholder, you will receive the All-Cash Alternative if the Scheme is implemented.

4.5 Provision of Scheme Consideration

(a) All-Cash Alternative

All cash to be paid under the All-Cash Alternative (whether combined with the Rollco Scrip Alternative or not) will be paid to Scheme Shareholders on the Implementation Date (currently expected to be Thursday, 27 June 2024).

Scheme Shareholders who have validly registered their bank account details with the McGrath Share Registry before the Scheme Record Date may have their cash under the All-Cash Alternative sent directly to their bank account. Otherwise, Scheme Shareholders will have their cash under the All-Cash Alternative sent by cheque to their address shown on the McGrath Share Register.

It is important to note that you will only receive cash under the All-Cash Alternative if you are a Scheme Shareholder and:

- you make or are deemed to have made a valid Election to receive the All-Cash Alternative in respect of all (or some) of your Scheme Shares, including Ineligible Foreign Shareholders;
- you do not make an Election to receive the Rollco Scrip Alternative in respect of all of your Scheme Shares; or
- you do not make a valid Election.

You will be a Scheme Shareholder if you hold McGrath Shares at the Scheme Record Date (currently expected to be 7.00pm (Sydney time) on Thursday, 20 June 2024) or such other time and date as McGrath and Bidder agree in writing).

(b) Rollco Scrip Alternative

The unlisted scrip in Rollco under the Rollco Scrip Alternative will be issued on the Implementation Date.

Scheme Shareholders who receive the Rollco Scrip Alternative will receive notification of their holding of the unlisted scrip in Rollco shortly after that date.

It is important to note that you will only receive the Rollco Scrip Alternative if you are a Scheme Shareholder and you make a valid Election to receive the Rollco Scrip Alternative in respect of all (or some) of your Scheme Shares.

(c) Permitted Dividend

If the McGrath Directors decide to pay a Permitted Dividend, McGrath Shareholders on the McGrath Share Register as at the Permitted Dividend Record Date will be paid the Permitted Dividend on the Permitted Dividend Payment Date (currently expected to be Wednesday, 19 June 2024).

4.6 Conditions to the Scheme

Implementation of the Scheme is subject to the following outstanding conditions precedent:

- (a) **Shareholder approval:** McGrath Shareholders approve the Scheme at the Scheme Meeting by the Requisite Majorities (except to the extent the Court orders otherwise under sub-subparagraph 411(4)(a)(ii)(A) of the Corporations Act).
- (b) **Independent Expert:** the Independent Expert does not adversely change its conclusion that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders, or withdraw its Independent Expert's Report, before 8.00am on the Second Court Date.
- (c) **Court approval:** the Court approves the Scheme in accordance with paragraph 411(4)(b) of the Corporations Act at the Second Court Hearing (either unconditionally and without modification or with modifications or conditions consented to by Bidder).
- (d) **Restraints:** as at 8.00am on the Second Court Date, there is no law, rule, regulation, temporary restraining order, temporary, preliminary or final order, injunction, decision or decree made or issued by any court of competent jurisdiction or other Government Agency, or other material legal restraint or prohibition which restrains, prohibits, impedes or otherwise materially adversely impacts upon (or could reasonably be expected to restrain, prohibit or otherwise materially adversely impede or impact upon) implementation of the Scheme.
- (e) **No McGrath Prescribed Occurrence:** no McGrath Prescribed Occurrence occurs between (and including) 24 March 2024 and 8.00am on the Second Court Date.
- (f) **No McGrath Material Adverse Change:** no McGrath Material Adverse Change occurs or is discovered, announced, disclosed or otherwise becomes known to Bidder between (and including) 24 March 2024 and 8.00am on the Second Court Date.

The definition of "McGrath Material Adverse Change" contains independent qualitative and quantitative limbs. The qualitative limb refers to "a material adverse effect on the business, assets, liabilities, financial position or profitability of the McGrath Group taken as a whole". It is possible that McGrath and Bidder may form different interpretations of this aspect of the definition and that this may give rise to a dispute as to the existence of an alleged McGrath Material Adverse Change. Such a difference in opinion or dispute may result in several outcomes, including the Scheme not proceeding and termination of the Scheme Implementation Deed.
- (g) **Valid Elections:** McGrath Shareholders holding at least 22% of issued McGrath Shares make valid Elections to receive the Rollco Scrip Alternative.
- (h) **Scheme Security Consideration Documents:** no breach of the Rollco Shareholders' Deed and Rollco Constitution has occurred by 8.00am on the Second Court Date.

The Scheme will not proceed unless all of the conditions precedent to the Scheme are satisfied or waived (as applicable) in accordance with the Scheme Implementation Deed.

The Scheme was subject to each of the Rollco Shareholders' Deed and Rollco Constitution being duly executed or adopted (as applicable) as soon as practicable after 24 March 2024. This aspect of the conditions precedent has been satisfied.

As at the date of this Scheme Booklet, none of the McGrath Board or Bidder Directors are aware of any circumstances which would cause any condition precedent not to be satisfied.

4.7 Implications if the Scheme is not implemented

If the Scheme is not implemented:

unless McGrath Shareholders sell their McGrath Shares on the ASX, McGrath Shareholders will continue to hold McGrath Shares and will be exposed to a number of risks (including those set out in section 8) as well as potential future benefits in retaining exposure to McGrath's business and assets;

- McGrath Shareholders will not receive the Scheme Consideration;
- a break fee of \$955,065 may be payable by McGrath to Bidder under certain circumstances. Those circumstances do not include the failure by McGrath Shareholders to approve the Scheme at the Scheme Meeting;
- McGrath will continue as an ASX-listed entity with management continuing to implement the business plan and financial and operating strategies it had in place prior to 25 March 2024, being the date of announcement of the Scheme to the ASX; and
- the price of a McGrath Share will continue to be subject to market volatility and may fall in the absence of a Superior Proposal.

4.8 Key steps in the Scheme

(a) Scheme Meeting and Scheme approval requirements

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

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure 7.

The Scheme will only become effective and be implemented if:

- it is approved by the Requisite Majorities of McGrath Shareholders at the Scheme Meeting to be held on 11 June 2024;
- it is approved by the Court at the Second Court Hearing; and
- the other conditions precedent to the Scheme outlined in section 4.6 are satisfied or waived (as applicable).

The Requisite Majorities of McGrath Shareholders to approve the Scheme are:

- unless the Court orders otherwise, a majority in number (more than 50%) of McGrath Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate McGrath Shareholders, body corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by McGrath Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate McGrath Shareholders, body corporate representative).

The Court has the power to waive the first requirement.

The entitlement of McGrath Shareholders to attend and vote at the Scheme Meeting is set out in the Notice of Scheme Meeting in Annexure 7.

Voting is not compulsory. However, the McGrath Board unanimously recommend that McGrath Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.¹⁰

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of McGrath Shareholders and the Court. If this occurs, your McGrath Shares will be transferred to Bidder and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme. If you do not make a valid Election, you will receive the All-Cash Alternative.

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

(b) Court approval of the Scheme

In the event that:

- the Scheme is approved by the Requisite Majorities of McGrath Shareholders at the Scheme Meeting; and
- all other conditions precedent to the Scheme (except Court approval of the Scheme) have been satisfied or waived (as applicable),

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

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

(c) Effective Date

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

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

(d) Permitted Dividend Record Date, entitlement to any Permitted Dividend and Permitted Dividend Payment Date

If the McGrath Directors decide to pay a Permitted Dividend, those McGrath Shareholders who are recorded on the McGrath Share Register on the Permitted Dividend Record Date (currently expected to be 7.00pm (Sydney time) on Wednesday, 12 June 2024) will be entitled to receive the Permitted Dividend in respect of the McGrath Shares they hold at that time and will be paid the Permitted Dividend on the Permitted Dividend Payment Date (currently expected to be Wednesday, 19 June 2024).

(e) Scheme Record Date and entitlement to Scheme Consideration

Those McGrath Shareholders who are recorded on the McGrath Share Register on the Scheme Record Date (currently expected to be 7.00pm (Sydney time) on Thursday, 20 June 2024) or such other time and date as the parties agree in writing) will be entitled to receive the Scheme Consideration in respect of the McGrath Shares they hold at that time.

¹⁰ Subject to implementation of the Scheme, Managing Director and Chief Executive Officer of McGrath, Mr John McGrath, may receive a cash payment of up to \$250,000 (see section 10.3(f)). The McGrath Board considers that, despite this arrangement, it is appropriate for Mr McGrath to make a recommendation on the Scheme, given his role in the operation and management of the McGrath Group. Mr McGrath also considers that it is appropriate for him to make a recommendation in relation to the Scheme.

(1) Dealings on or prior to the Scheme Record Date

For the purposes of determining which McGrath Shareholders are eligible to participate in the Scheme, dealings in McGrath Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered on the McGrath Share Register as the holder of the relevant McGrath Shares before the Scheme Record Date; and
- in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received by the McGrath Share Registry before the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, McGrath will not accept for registration or recognise any transfer or transmission applications in respect of McGrath Shares received after the Scheme Record Date.

(2) Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, McGrath must maintain the McGrath Share Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The McGrath Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for McGrath Shares (other than statements of holding in favour of Bidder) will cease to have effect as documents relating to title in respect of such McGrath Shares; and
- each entry on the McGrath Share Register (other than entries on the McGrath Share Register in respect of Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the McGrath Shares relating to that entry.

(f) Implementation Date

By no later than the Business Day before the Implementation Date (currently expected to be Thursday, 27 June 2024), Bidder will deposit (or will procure the deposit) into a McGrath operated Australian dollar denominated trust account with an authorised deposit taking institution in Australia as trustee for the Scheme Shareholders, an amount equal to the aggregate amount of the All-Cash Alternative to be paid to Scheme Shareholders.

On the Implementation Date:

- Scheme Shareholders will be paid the aggregate amount of the All-Cash Alternative; and
- before 12.00pm (or such other time as Bidder and McGrath may agree in writing), Rollco will issue the Rollco Scrip Alternative to each Scheme Shareholder who has made a valid Election to receive the Rollco Scrip Alternative under the Scheme and subject to the Scaleback Arrangements.

Immediately after the Scheme Consideration is provided to Scheme Shareholders on the Implementation Date, the Scheme Shares will be transferred to Bidder.

(g) Deed Poll

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

- provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme by:
 - in relation to the All-Cash Alternative, depositing, or procuring the deposit of, the aggregate amount of the All-Cash Alternative payable to all Scheme Shareholders; and
 - in relation to the Rollco Scrip Alternative, and subject to the Scaleback Arrangements, issuing, or procuring the issue of, the Rollco Scrip Alternative to each Scheme Shareholder entitled to receive the Rollco Scrip Alternative; and
- undertake all other actions, and give each acknowledgment, representation and warranty (if any), attributed to Bidder and Rollco under the Scheme.

A copy of the Deed Poll is contained in Annexure 3.

4.9 Warranties by Scheme Shareholders

Under the terms of the Scheme, each Scheme Shareholder is taken to have warranted to McGrath and Bidder, and appointed and authorised McGrath as its attorney and agent to warrant to Bidder, on the Implementation Date, that:

- all their McGrath Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- they have full power and capacity to transfer their Scheme Shares to Bidder together with any rights attaching to those shares; and
- they have no existing right to be issued any McGrath Shares, options, performance rights exercisable into McGrath Shares, convertible notes in McGrath or any other McGrath securities.

4.10 Delisting of McGrath

McGrath will apply for the termination of the official quotation of McGrath Shares on the ASX and for McGrath to be removed from the official list of the ASX, each to occur on a date after the Implementation Date.

Information about McGrath

5 Information about McGrath

5.1 Introduction

Founded in 1988 by Mr John McGrath, McGrath is one of the leading residential real estate service providers in Australia, with a market presence in New South Wales, Queensland, Victoria and Tasmania.

McGrath provides a range of services including residential property sales, property management, auction services and real estate training. The McGrath business model comprises Company Owned Offices and Franchise Offices.

In August 2022, McGrath announced a change in its business model to transition to a predominantly franchise operation. This transition is expected to lead to more reliable annuity income from franchisees based on a fixed percentage of total sales commissions as well as ongoing marketing fund contributions. In addition, this transition is a key strategy for attracting and retaining agent talent.

As at 31 December 2023 the network comprised 113 Franchise offices and 18 Company owned offices. The geographic spread of current offices across the Eastern seaboard of Australia is depicted in the graphic below.



5.2 Business overview

McGrath is organised into four key segments, which are summarised below:

	Company Owned			
Business Line	Sales	Property Management	Franchised Services	Other services and investments
Description	<ul style="list-style-type: none"> Undertakes residential property sales on behalf of property vendors through Company owned offices and agents. 	<ul style="list-style-type: none"> Directly manages residential properties on behalf of owner clients. 	<ul style="list-style-type: none"> Manages franchise offices that undertake both property sales and property management activities. 	<p>McGrath also has a number of other complementary services and investments, including:</p> <ul style="list-style-type: none"> Auction services: generates earnings based on a fixed fee per auction;
Fee type (applies to first three segments)	<ul style="list-style-type: none"> Charges sales commission to a property vendor upon successful sale of a property. The commission is generally based on a percentage of the property's value. 	<ul style="list-style-type: none"> Charges a commission to manage a property and leasing fees earned upon successful letting of a property. 	<ul style="list-style-type: none"> An ongoing franchise fee based on a fixed percentage of the total sales commission paid on the sale of a property (Gross Commission Income); An ongoing marketing fund contribution based on a fixed percentage of the gross commission income generated by the franchisee; and A fixed percentage of the franchisees' property management fees. 	<ul style="list-style-type: none"> Training services: organises a number of Australian residential real estate conferences and receives revenue from fees paid by attendees, exhibitors and sponsors; 44% investment in the mortgage broking business, Oxygen Capital Group Pty Limited, which generates upfront commissions and trailing revenue from each loan; 30% investment in the Central Coast McGrath Franchise; and Strategic minority investment in Honey Insurance Pty Limited, a digital home and contents insurance service to homeowners, landlords and renters (reflected in other financial assets).
Key Statistics (applies to first three segments)	<ul style="list-style-type: none"> 18 offices¹¹ 105 agents¹¹ 2,326 property sales in FY23 \$4.2 billion value of property sales in FY23 	<ul style="list-style-type: none"> 28 property managers¹¹ 5,449 properties under management (leased)¹¹ 17% annualised churn rate in FY23 	<ul style="list-style-type: none"> 113 offices¹¹ 591 agents¹¹ 8,709 property sales in FY23 \$10.3 billion value of property sales in FY23 	

McGrath also operates a centralised support function, which includes administrative and other tasks including corporate services, finance support and information technology.

¹¹ As at 31 December 2023.

5.3 McGrath Board and senior management

(a) McGrath Board

The McGrath Board comprises the following directors, as at the date of this Scheme Booklet:

Name	Position
Peter Lewis	Chair, Independent Non-Executive Director
John McGrath	Chief Executive Officer and Managing Director
Wayne Mo	Non-Executive Director
Juliana Nguyen	Independent Non-Executive Director
Shane Smollen	Non-Executive Director

(b) McGrath senior management

McGrath's senior management comprises the following members, as at the date of this Scheme Booklet:

Name	Position
John McGrath	Chief Executive Officer and Managing Director
Howard Herman	Chief Financial Officer
Anthony Meaker	Commercial Director
Christopher Mourd	Head of Franchise Services
Katherine Caddy	Head of Company Owned Property Management
Troy Malcolm	Head of Company Owned Sales

5.4 Historical financial information

(a) Basis of preparation

This section 5.4 sets out a summary of historical financial information in relation to McGrath for the purpose of this Scheme Booklet. The financial information has been derived from McGrath's financial statements for the financial years ended 30 June 2022 and 30 June 2023, which were audited by KPMG, and the six months to 31 December 2022 and 31 December 2023, which were reviewed by KPMG.

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

Further detail on McGrath's financial performance can be found in:

- the financial statements for the year ended 30 June 2023 (included in the Annual Report released to the ASX on 21 August 2023);
- the financial statements for the year ended 30 June 2022 (included in the Annual Report released to the ASX on 22 August 2022);
- the financial statements for the half year ended 31 December 2023 (included in the Interim Financial Report for Half Year released to the ASX on 19 February 2024); and
- the financial statements for the half year ended 31 December 2022 (included in the Interim Financial Report for Half Year released to the ASX on 20 February 2023),

each of which can be found on McGrath's website (www.mcgrath.com.au) or ASX's website (www.asx.com.au).

(b) Historical consolidated income statement

Below is a summary of McGrath's historical consolidated statement of profit or loss for the full financial years ended 30 June 2022 and 30 June 2023 and the half financial years ended 31 December 2022 and 31 December 2023.

	12 months ending		6 months ending	
	June 2023	June 2022	December 2023	December 2022
	\$'000	\$'000	\$'000	\$'000
Revenue	82,510	112,417	40,222	42,691
Other income	5,353	557	5,040	1,247
Cost of sales	(32,792)	(44,783)	(14,231)	(16,495)
Share of profit of an associate	612	96	413	294
Employee benefits expenses	(24,532)	(27,487)	(11,566)	(13,099)
Directors' fees	(392)	(398)	(196)	(196)
Professional fees	(1,561)	(1,550)	(837)	(847)
Doubtful debts	(180)	(74)	36	47
Occupancy	(1,711)	(1,803)	(718)	(836)
IT expenses	(5,446)	(4,336)	(3,394)	(2,521)
Communications	(501)	(773)	(336)	(238)
Advertising and promotions	(1,322)	(2,354)	(908)	(727)
Other expenses	(3,647)	(4,042)	(1,605)	(2,031)
Depreciation and amortisation expenses	(7,692)	(8,271)	(3,221)	(4,054)
Impairment	(543)	-	-	-
Earnings before interest and tax (EBIT)	8,156	17,199	8,699	3,235
Net finance costs	(356)	(1,092)	136	(225)
Profit before income tax	7,800	16,107	8,835	3,010
Income tax expense	(1,603)	(4,379)	(1,331)	(1,194)
Profit after income tax expense	6,197	11,728	7,504	1,816
Total comprehensive income attributable to owners of the Company	6,197	11,728	7,504	1,816

(c) **Historical consolidated statement of financial position**

Below is a summary of McGrath's historical consolidated statement of financial position for the full financial years ended 30 June 2022 and 30 June 2023 and the half financial years ended 31 December 2022 and 31 December 2023.

	December 2023 \$'000	June 2023 \$'000	December 2022 \$'000	June 2022 \$'000
CURRENT ASSETS				
Cash and cash equivalents	26,346	27,054	25,133	34,741
Trade and other receivables	14,216	15,380	13,173	13,904
Assets held for sale	3,553	4,077	4,137	574
Other assets	3,041	3,320	2,598	2,312
Current tax assets	341	-	266	-
TOTAL CURRENT ASSETS	47,497	49,831	45,307	51,531
NON CURRENT ASSETS				
Trade and other receivables	1,352	1,124	3,030	3,601
Property, plant and equipment	3,876	1,549	1,861	3,253
Right-of-use assets	10,684	7,912	10,357	12,954
Intangible assets	6,023	6,640	10,756	13,352
Investment in an associate	7,960	8,012	8,399	1,799
Other financial asset	8,371	6,776	6,776	6,500
TOTAL NON CURRENT ASSETS	38,266	32,013	41,179	41,459
TOTAL ASSETS	85,763	81,844	86,486	92,990
CURRENT LIABILITIES				
Trade and other payables	14,507	13,520	15,228	17,512
Liabilities held for sale	-	49	2,325	750
Lease liabilities	3,089	3,781	3,765	4,269
Current tax liabilities	-	361	-	3,381
Provisions	2,256	2,226	2,122	2,555
TOTAL CURRENT LIABILITIES	19,852	19,937	23,440	28,467
NON CURRENT LIABILITIES				
Trade and other payables	20	1,184	1,503	507
Lease liabilities	9,669	6,368	8,778	11,593
Provisions	1,285	1,575	1,427	1,544
Deferred tax liabilities	1,141	694	1,286	1,286
TOTAL NON CURRENT LIABILITIES	12,115	9,821	12,994	14,930
TOTAL LIABILITIES	31,967	29,758	36,434	43,397
NET ASSETS	53,796	52,086	50,052	49,593
EQUITY				
Contributed equity	104,450	104,518	105,264	103,943
Share-based payment reserve	927	1,138	1,122	1,398
Profits Reserve	28,946	27,065	24,301	24,095
Accumulated losses	(80,572)	(80,635)	(80,635)	(79,843)
TOTAL EQUITY	53,751	52,086	50,052	49,593
Non-controlling interest	45	-	-	-
TOTAL EQUITY	53,796	52,086	50,052	49,593

(d) Historical consolidated statement of cash flows

Below is a summary of McGrath's historical consolidated statement of cash flows for the full financial years ended 30 June 2022 and 30 June 2023 and the half financial years ended 31 December 2022 and 31 December 2023.

	12 months ending		6 months ending	
	June	June	December	December
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	93,627	130,003	43,319	49,091
Receipts from other income	938	215	494	316
Payments to suppliers and employees	(86,242)	(105,075)	(37,252)	(46,403)
Interest paid	(1,086)	(1,418)	(390)	(512)
Interest received	373	178	531	264
Income taxes paid	(5,255)	(801)	(1,585)	(4,833)
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,355	23,102	5,117	(2,077)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from deferred consideration from investment in associates	-	-	1,500	-
Proceeds net of loans granted from the disposal of property management rights and property plant and equipment ¹²	3,898	258	2,411	-
Proceeds net of loans granted from the disposal of held for sale assets	-	-	1,498	987
Proceeds from partial divestment of Auctions business	-	-	236	-
Payment of deferred consideration for investment in associates	-	-	(717)	-
Purchase of property, plant and equipment	(343)	(958)	(2,710)	(128)
Purchase of intangibles	(1,072)	(2,269)	(605)	(578)
Purchase of investment in associate	(2,792)	-	-	(2,792)
Payments for debt instrument financial assets	-	(6,500)	-	-
Dividends received	363	-	465	201
Loans granted ¹²	(80)	(673)	(250)	(50)
Loan repayments received	271	1,094	330	164
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	245	(9,048)	2,158	(2,196)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment for lease liabilities	(5,146)	(4,947)	(1,920)	(2,557)
Payment for treasury shares	-	(2,430)	-	-
Payment for share buy-back	(1,914)	(1,871)	(484)	(1,168)
Dividends paid	(3,227)	(5,840)	(5,579)	(1,610)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(10,287)	(15,088)	(7,983)	(5,335)
Net decrease in cash and cash equivalents	(7,687)	(1,034)	(708)	(9,608)
Cash and cash equivalents at the beginning of the financial year	34,741	35,775	27,054	34,741
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	27,054	34,741	26,346	25,133

¹² Loans that were granted as part of the disposal of property management rights and property plant and equipment for the FY23 and FY22 periods have been removed from "Loans granted" and included as a reduction to the "Proceeds from disposal of property management rights and property, plant and equipment" in the FY23 Annual Report. The adjustment has been made to ensure consistency across all reporting periods represented (FY23 adjustment of \$816k and FY22 adjustment of \$202k). Change to allocation only, with no net impact to cash flow during periods.

5.5 Material changes in financial position (since 31 December 2023)

Other than:

- payment of a 100% franked interim dividend of \$0.03 per McGrath Share on 12 March 2024;
- the accumulation of earnings in the ordinary course of trading;
- as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by McGrath; and
- in accordance with generally known market conditions,

within the knowledge of the McGrath Board, there have been no material changes to the financial position of McGrath and the McGrath Group since 31 December 2023.

As part of McGrath's change in business model to transition to a predominantly franchise operation, McGrath has pursued an approach of selling the rent rolls of some of its company owned offices. This includes having entered into an agreement to sell the rent roll of one particular office for approximately \$1.1 million through a combination of cash over time and vendor finance. While currently scheduled to settle on 1 July 2024, there are a number of risks that this could be delayed and there is no certainty that the transaction will complete. If it is completed, the accounting profit on this sale would be approximately \$800,000.

5.6 Capital structure

As at Last Practicable Date, the capital structure of McGrath was:

Type of security	Number on issue
McGrath Shares	159,177,508 fully paid ordinary shares, of which 2,171,601 shares are held by Pacific Custodian Pty Limited in trust for the McGrath Employee Share Plan to satisfy share allocation upon vesting of performance rights.
McGrath Equity Incentives	<ul style="list-style-type: none">• 3,244,365 McGrath Long-Term Incentives; and• 2,399,712 McGrath Agent Incentives.

Additional details about McGrath Equity Incentives are set out in section 10.2.

5.7 Substantial holders in McGrath Shares

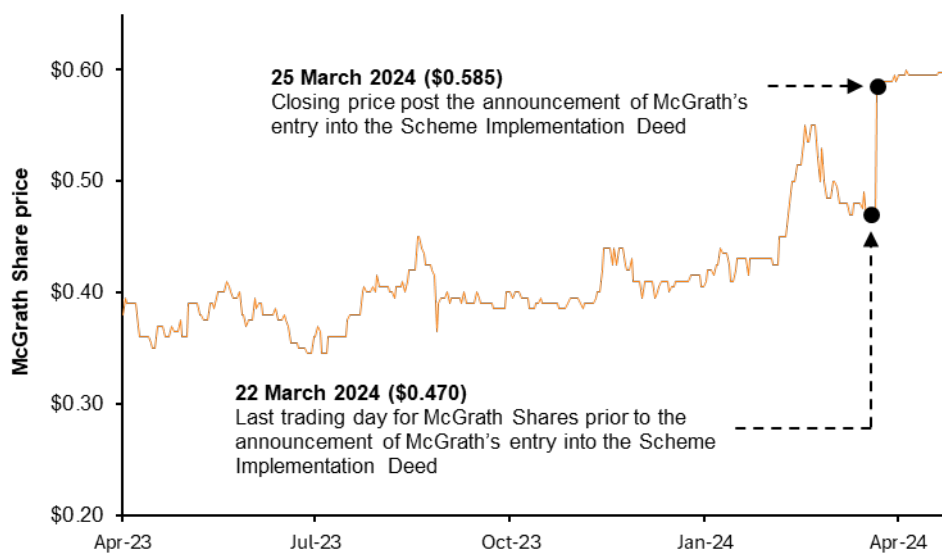
As extracted from filings released on the ASX on or before Last Practicable Date, the following persons were substantial holders of McGrath Shares:

Substantial holder	Number of McGrath Shares	Voting power in McGrath
John McGrath and associated entities	37,127,378	23.3%
AL Capital, Yunhui Lin and Wayne Mo	26,080,941	16.4%
Shane Smollen and associated entities	13,148,148	8.3%

5.8 McGrath Share price history

As at 22 March 2024, being the last trading day for McGrath Shares prior to the announcement of McGrath's entry into the Scheme Implementation Deed:

- the closing price of McGrath Shares on the ASX was \$0.47;
- the highest recorded daily closing price for McGrath Shares on the ASX in the previous 3 months was \$0.55 on 20 February 2024 and 23 February 2024; and
- the lowest recorded daily closing price for McGrath Shares on the ASX in the previous 3 months was \$0.41 on 2 January 2024 and 3 January 2024.



5.9 Publicly available information about McGrath

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

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

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

McGrath Shareholders may obtain a copy of McGrath's 2023 Annual Financial Report from ASX's website (www.asx.com.au), from McGrath's website (www.mcgrath.com.au) or by calling the McGrath Shareholder Information Line on 1300 730 659 (within Australia) or +61 1300 730 659 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

McGrath will also provide, free of charge, a copy of McGrath's interim financial report for the half year ended 31 December 2023 to any McGrath Shareholder who requests a copy before the Scheme is approved by the Court.

Information about Consortium, Bidder and Rollco

6 Information about Consortium, Bidder and Rollco

This section 6 has been prepared by Bidder. The information concerning Bidder and the intentions, views and opinions contained in this section 6 are the responsibility of Bidder. McGrath and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

6.1 Ownership Structure

(a) Consortium

The Consortium comprises Knight Frank Australia Holdings Pty Ltd (ACN 114 923 938) (**KFA**), a wholly-owned subsidiary of Knight Frank LLP, and BCL Aus Holdings Limited (NZ company number 8958610) (**BCL**), a wholly-owned subsidiary of Bayley Corporation Limited (NZ company number 342183).

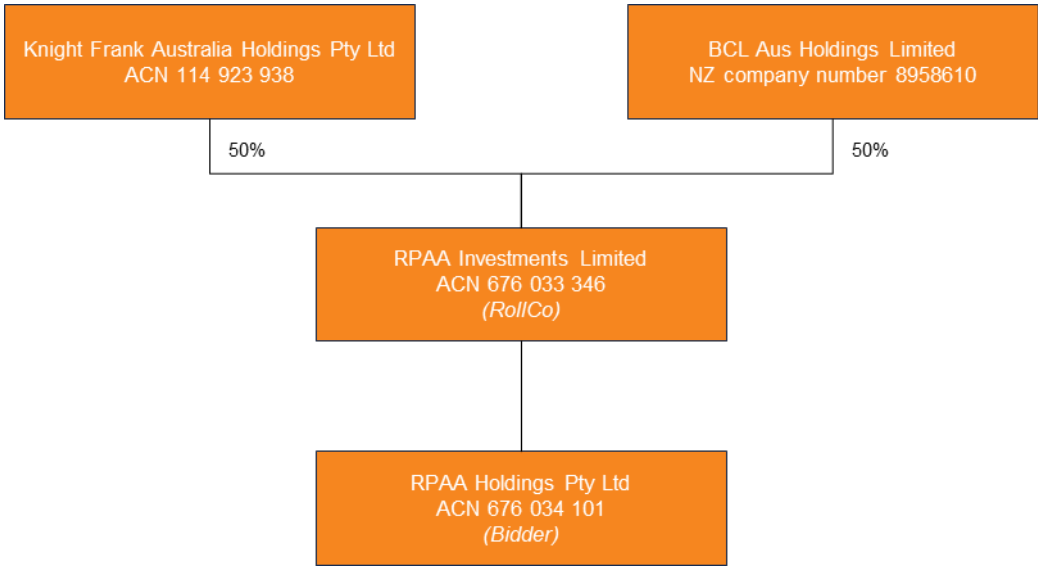
Knight Frank LLP is a global real estate consultancy and estate agency headquartered in London, England. Its network includes more than 488 offices across 57 territories and more than 20,000 people managing commercial, agricultural and residential real estate. In Australia, it offers commercial property services in the core and alternative sectors, including office, retail, industrial, hotel and agriculture.

Bayley Corporation Limited is the parent company for the Bayleys Group, New Zealand’s largest, private full-service property company concluding in excess of NZD\$13.5 billion in transactions annually and employing over 2,200 people operating out of 116 offices throughout New Zealand and the Pacific Islands. It offers an array of property-related services and sector-specific expertise.

(b) Before implementation of the Scheme

As at the date of this Scheme Booklet, Bidder is a wholly owned subsidiary of Rollco, which in turn is owned in equal shares by KFA and BCL (who will subscribe for additional Rollco Shares prior to Implementation of the Scheme to provide the equity funding required for the All-Cash Alternative as described further in section 6.4 below) as illustrated in Figure 1 below.

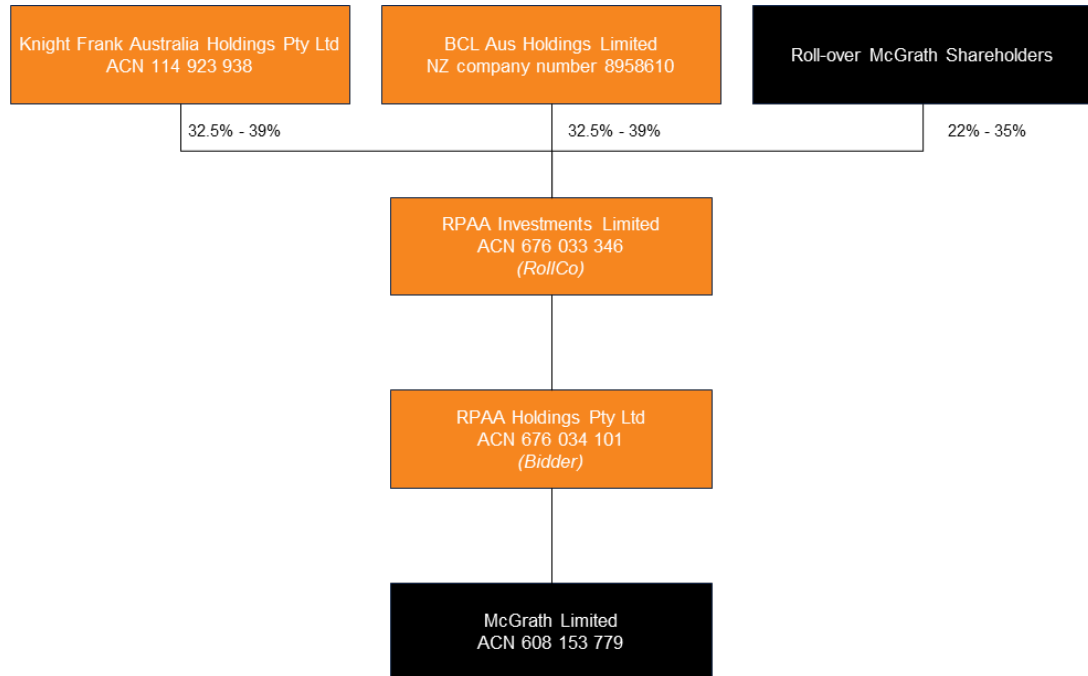
Figure 1: Current group structure of Bidder Group



(c) After implementation of the Scheme

If the Scheme is implemented, KFA, BCL and Eligible McGrath Shareholders who validly make an Election, will directly and wholly own Rollco. Rollco will own McGrath through its wholly owned subsidiary, Bidder, as illustrated in Figure 2 below.

Figure 2: Post implementation group structure chart of Bidder Group



The ownership interests in Rollco will vary depending on the proportion of Eligible McGrath Shareholders that make a valid Election to receive the Rollco Scrip Alternative. The percentages shown above reflect the ownership interests at the Minimum Rollco Scrip Alternative Threshold and the Maximum Rollco Scrip Alternative Threshold.

6.2 Overview of Bidder and Rollco

(a) Bidder

Bidder is a wholly owned subsidiary of Rollco. Bidder is an Australian proprietary company incorporated on 22 March 2024 for the purpose of acquiring all of the McGrath Shares. Other than entry into the Scheme Implementation Deed, Bidder has no trading history, assets or liabilities. All of the shares in Bidder are held by Rollco (which will remain the same on and from the Implementation Date).

(b) Rollco

Rollco is an unlisted Australian public company incorporated on 22 March 2024 and became the holder of all of the shares in Bidder on 22 March 2024. Other than entry into the Shareholders’ Deed and associated documentation and taking any steps contemplated by the Scheme Implementation Deed, Shareholders’ Deed and associated documentation, Rollco has no trading history, assets or liabilities.

The ownership of Rollco and details of the Consortium are set out in section 6.1 above.

(c) Directors

As at the date of this Scheme Booklet, the directors of Rollco are Michael Bayley, Rupert Dawes, Campbell Flack, Kenneth MacRae and James Patterson. Brief profiles of these directors are set out below.

Director	Profile
Mike Bayley	Mike is Managing Director and Chief Executive Officer for Bayleys and has ultimate responsibility for overseeing the operations of Bayleys Realty Group, Bayleys Property Services and Bayleys Real Estate Limited. The Bayleys group is New Zealand's largest, private full-service property company concluding in excess of NZD\$13.5 billion in transactions annually and employing over 2,200 people operating out of 116 offices throughout New Zealand and the Pacific Islands. Mike received a Bachelor of Commerce from Auckland University, is an Associate of the Real Estate Institute of New Zealand and has in excess of 30 years experience in the property industry both within New Zealand and internationally.
Rupert Dawes	Rupert is a Proprietary Partner and the Global Head of Residential at Knight Frank and joined in 2003. Prior to joining Knight Frank, he worked at DTZ and Hamptons International in the United Kingdom, Asia and the Caribbean. He received a Bachelor of Arts (Hons) in Ancient History from Nottingham University.
Campbell Flack	Campbell is the Head of Legal, Risk & Compliance and Company Secretary at Knight Frank Australia Pty Ltd and has been with Knight Frank since 1999. Before joining Knight Frank, he worked as a lawyer at Australia and New Zealand Banking Group Limited and Blake Dawson Waldron (now known as Ashurst). Campbell received a Bachelor of Laws from Monash University and a Bachelor of Science from The University of Melbourne.
Ken MacRae	Ken is the Finance Director of Bayleys and has been with the company since 2005. Prior to joining Bayleys he was based in London with Louis Dreyfus, focused on global soft commodity trading. Ken has had various leadership roles with Ernst & Young, both in New Zealand and the United States, and is a chartered accountant. He received a Bachelor of Commerce (Finance) degree from the University of Auckland.
James Patterson	James is Partner, CEO of Knight Frank Australia Pty Ltd. James joined Knight Frank in July 2021. Prior to joining Knight Frank he was the CEO of Cushman & Wakefield in ANZ. James is a Licensed Real Estate Agent and has completed the Diploma of Valuations. James is also the chairperson of Souths Cares, the charity arm of South Sydney Football Club.

(d) Governance

The affairs of Rollco are regulated under the Rollco Constitution and Rollco Shareholders' Deed. A summary of the rights attaching to Rollco Shares under these documents is set out at section 7.4 of this Scheme Booklet (although these summaries are not exhaustive and McGrath Shareholders should read these documents in full).

The Rollco Shares are not, and will not be in the foreseeable future, quoted on any securities exchange. The corporate governance arrangements for Rollco will differ from those McGrath currently has in place. After the Implementation Date, McGrath is likely to adopt an approach to corporate governance appropriate for a closely held unlisted public company limited by shares.

As described in section 7.4 below, irrespective of how many Rollco Shares are issued to McGrath Shareholders under the Scheme, the Consortium Members will have certain additional rights in relation to Rollco and its subsidiaries (including McGrath) because of the terms of the Rollco Shareholders' Deed. A full summary of the rights attaching to the Rollco Shares is set out in section 7.4, and the Rollco Shareholders' Deed is attached to this Scheme Booklet at Annexure 4 and the Rollco Constitution is attached to this Scheme Booklet at Annexure 6.

6.3 Connection to the Scheme

The Scheme contemplates the acquisition of all McGrath Shares such that from the Implementation Date, Bidder will hold 100% of the shares in McGrath. Under the Scheme, McGrath Shareholders will receive the All-Cash Alternative for their McGrath Shares or may elect to receive Rollco Scrip Alternative (being fully paid ordinary shares in Rollco) in some or all of their McGrath Shares, subject to any scale back to ensure that the total number of shares issued in the form of the Rollco Scrip Alternative do not exceed 35% of the total shares on issue in Rollco (and, for the avoidance of doubt, will receive All-Cash Alternative for any McGrath Shares in respect of which they do not elect to receive the Rollco Scrip Alternative).

Eligible McGrath Shareholders may:

- receive the total value of their Scheme Consideration as All-Cash Alternative; or
- subject to the Scaleback Arrangements, elect to receive some or all of the value of their Scheme Consideration in the form of Rollco Shares, in which case:
 - where a McGrath Shareholder has made an Election to receive the Rollco Scrip Alternative in respect of all of their Scheme Shares, it will receive the entirety of its Scheme Consideration in respect of the McGrath Shares it holds at the Scheme Record Date in the form of the Rollco Scrip Alternative; or
 - where a McGrath Shareholder has made a valid Election in respect of some but not all of its McGrath Shares, it will receive a combination of the Rollco Scrip Alternative in respect of those McGrath Shares which are the subject of the valid Election and will receive the All-Cash Alternative in respect of the remaining McGrath Shares held by that McGrath Shareholder which are not the subject of a valid Election. The number of McGrath Shares the subject of an Election to receive the Rollco Scrip Alternative will be the greater of the elected percentage of the McGrath Shares held by the Eligible McGrath Shareholder at the Election Deadline and the Scheme Record Date provided it can never exceed the number of McGrath Shares at the Scheme Record Date.

Ineligible Foreign Shareholders will only be entitled to receive All-Cash Alternative under the Scheme. If no valid Election is made by a Scheme Shareholder by the Election Deadline they will receive the All-Cash Alternative.

If Eligible McGrath Shareholders make a valid Election to receive the Rollco Scrip Alternative then, subject to the Scaleback Arrangements, they will receive 1 Rollco Share for each McGrath Share held by that McGrath Shareholder on the Scheme Record Date subject to the valid Election.

Rollco Shares issued as consideration under the Scheme will be fully paid and will rank equally with all other Rollco Shares. Rollco will appoint the Nominee to hold certain of the Rollco Shares on bare trust pursuant to the terms of the Rollco Shareholders' Deed and a Nominee Deed to be entered into between Rollco and the Nominee.

McGrath Shareholders who receive the Rollco Scrip Alternative under the Scheme will become parties to the Rollco Shareholders' Deed as Non-Investor Shareholders.

A copy of the Rollco Shareholders' Deed is set out in Annexure 4 of this Scheme Booklet, and a copy of the Nominee Deed is set out in Annexure 5 of this Scheme Booklet.

KFA and BCL will also subscribe in equal proportions for Rollco Shares to fund the All-Cash Alternative. The proportion of the total shares on issue in Rollco held by KFA and BCL will depend on the total cash funding required in connection with the implementation of the Scheme which will depend on the matters noted below including the number of Eligible McGrath Shareholders who make valid Elections to receive the Rollco Scrip Alternative, the Minimum Rollco Scrip Alternative Threshold and the potential Scaleback Arrangements.

As at the date of the Scheme Booklet, Rollco has 2 fully paid ordinary shares on issue, held by KFA and BCL.

6.4 Funding arrangements for the Scheme Consideration

(a) Maximum All-Cash Alternative

If the Scheme becomes effective, the Scheme Consideration payable to McGrath Shareholders under the Scheme will be satisfied by a combination of the payment of cash consideration and issue of such number of Rollco Shares as required to satisfy valid Elections (subject to the Maximum Rollco Scrip Alternative Threshold and any application of the pro-rata Scaleback Arrangements).

Based on the number of McGrath Shares on issue as at the date of this Scheme Booklet, the maximum amount of cash consideration Bidder may be required to pay to McGrath Shareholders under the Scheme is approximately \$74.49 million. The Scheme is not subject to any financing condition precedent.

(b) Cash funding arrangements

Bidder intends to fund the Scheme Consideration with equity funding. Bidder will fund the cash consideration through equity committed by the Consortium, using existing cash reserves available to Knight Frank LLP and Bayley Corporation Limited.

(c) Unlisted scrip consideration

Bidder and Rollco have entered into the Deed Poll to covenant in favour of the Scheme Shareholders to perform their respective obligations in relation to the Scheme. This includes the obligation to provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of the Scheme, including to issue all Rollco Shares subject of valid Elections by the Scheme Shareholders under the terms of the Scheme.

(d) Reasonable basis

On the basis of the arrangements outlined above, Bidder Group believes it has a reasonable basis for holding the view, and it does hold the view, that Bidder will be able to satisfy its obligations to fund the Scheme Consideration as and when it is due and payable under the terms of the Scheme.

6.5 Intentions if the Scheme is implemented

(a) Introduction

If the Scheme is implemented, Bidder will become the holder of all of the McGrath Shares on issue and, accordingly, McGrath will become a wholly owned subsidiary of Bidder.

This section 6.5 sets out the intentions of Bidder in relation to the continuation of the business, any major changes to the business, and the future employment of the present employees of McGrath if the Scheme is implemented. The intentions of Bidder are the same as the intentions of each member of Bidder Group and the Consortium.

The statements made in this section 6.5 are based on the information concerning McGrath (including certain non-public information made available by McGrath to Bidder prior to the entry into the Scheme Implementation Deed), and the general business environment which is known to Bidder at the time of preparation of this Scheme Booklet.

If the Scheme is implemented, Bidder intends to undertake a detailed review of the business' assets and operations. Bidder will only make final decisions following the completion of its review of McGrath's business and based on the facts and circumstances at the relevant time. Accordingly, statements set out in this section 6.5 are statements of present intention only, which may change as new information becomes available or circumstances change.

(b) McGrath's removal from the ASX

If the Scheme is implemented, Bidder will direct that McGrath apply to ASX for McGrath to be removed from its official list after the Implementation Date and subsequently converted to a proprietary company limited by shares.

(c) Board of directors

Pursuant to the Scheme Implementation Deed, the McGrath Board will be reconstituted with effect on and from the Implementation Date. As at the date of this Scheme Booklet, the directors of McGrath after the Implementation Date have not been determined.

(d) Head office

If the Scheme is implemented, Bidder presently intends for McGrath to maintain its current head office in Sydney, New South Wales.

(e) Business, operations and assets

Subject to the findings of the post-acquisition review referred to in section 6.5(a) above, Bidder's current intention is to continue to operate the business substantially in its current form in the near term while actively pursuing acquisition and expansion opportunities available to McGrath. Any further decisions around the future of McGrath and intentions for the McGrath business will be made after, and informed by, the results of the review.

(f) Employees

McGrath is a people driven business. Bidder recognises that a well-trained and motivated workforce is critical to the success of the business, and that the incentivisation of staff is an essential component of the future success of the company. Bidder intends to retain the current senior executive team of McGrath following Implementation of the Scheme.

Bidder will undertake a review of McGrath's business post-implementation to ensure McGrath has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities.

(g) Management incentive plan

Following implementation of the Scheme, Bidder expects to implement a customary management incentive plan for eligible management of McGrath. The terms of, and participation in, any such management incentive plan will be developed by Bidder following implementation of the Scheme.

(h) Changes to McGrath's constitution

Bidder intends to replace McGrath's constitution with a constitution appropriate for a proprietary company limited by shares (consistent with the intention expressed in section 6.5(b)) to convert McGrath into a proprietary company limited by shares following Implementation.

6.6 Bidder's interests in McGrath Shares

(a) Interests in McGrath Shares

As at the date of this Scheme Booklet, none of the Consortium, Bidder or Rollco have a Relevant Interest in any McGrath Shares.

(b) No dealings in McGrath Shares in previous four months

Neither Bidder nor any of its associates has provided, or agreed to provide, consideration for McGrath Shares under a purchase or agreement during the period of four months before the date of this Scheme Booklet except for the Scheme Consideration, which Bidder has agreed to provide under the Scheme.

(c) No inducing benefits to McGrath Shareholders given during previous four months

Neither Bidder or its associates have, in the four months before the date of this Scheme Booklet, given, or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an associate to:

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

where the benefit was not offered to all McGrath Shareholders.

(d) Benefits to current McGrath officers

Neither Bidder nor any of its associates will be making any payment or giving any benefit to any current officers of McGrath or any of its subsidiaries as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices dependent on the Scheme being implemented.

(e) No interests of Bidder or Rollco directors in McGrath Shares

As at the date of this Scheme Booklet, none of the directors of Bidder or Rollco have a Relevant Interest in any McGrath Shares.

6.7 No other material information

Other than as disclosed in this section 6, there is no information regarding Bidder or its intentions regarding McGrath, that is material to the making of a decision by a McGrath Shareholder on whether or not to vote in favour of the Scheme that is within the knowledge of any director of Bidder as at the date of this Scheme Booklet that has not been previously disclosed to McGrath Shareholders.

Information on the Rollco Shares

7 Information on the Rollco Shares

7.1 Transaction overview

As detailed in section 4.4, McGrath Shareholders (other than Ineligible Foreign Shareholders) are entitled to make an Election to receive some or all of their Scheme Consideration as Rollco Shares.

The Scheme is conditional on Eligible McGrath Shareholders making an Election to receive the Rollco Scrip Alternative in respect of, in aggregate, at least 22% of the total issued capital of McGrath (**Minimum Rollco Scrip Alternative Threshold**). See section 4.4(b) for further details.

The Rollco Scrip Alternative is also subject to a pro-rata Scaleback Arrangement if Eligible McGrath Shareholders make an Election to receive the Rollco Scrip Alternative in respect of, in aggregate, at least 35% of the total issued capital of McGrath (**Maximum Rollco Scrip Alternative Threshold**).

Subject to the Minimum Rollco Scrip Alternative Threshold and the Maximum Rollco Scrip Alternative Threshold (and any applicable Scaleback Arrangement), McGrath Shareholders who validly elect to receive the Rollco Scrip Alternative will hold (in aggregate) between 22% and 35% of the issued capital in Rollco.

If an Eligible McGrath Shareholder makes a valid election to receive the Rollco Scrip Alternative and the Minimum Rollco Scrip Alternative Threshold is met, Rollco has an obligation to issue Rollco Shares to that McGrath Shareholder, such that that McGrath Shareholder will, on the Implementation Date, be entered into the Rollco Share Register as a shareholder of Rollco (either directly or through a custodian as contemplated by the Scheme and the Rollco Shareholders' Deed) and thereby have a direct or indirect interest in Rollco that is proportional to their holding in Rollco. The McGrath Shareholder will be bound by the Rollco Shareholders' Deed and Rollco Constitution.

7.2 Anticipated ownership structure of Rollco

For the purposes of illustration we have set out the possible capital structure of Rollco in the table below based on 2 scenarios, reflecting the minimum valid Election to satisfy the condition under the Scheme Implementation Deed and also the maximum 35% rollover.

Rollco Shares	Scrip Election			
	Minimum Rollco Scrip Alternative to satisfy Scheme condition (i.e. 22%)		Maximum Rollco Scrip Alternative (i.e. 35%)	
	Number (million)	Percentage of Rollco Shares	Number (million)	Percentage of Rollco Shares
Consortium	124.16	78%	103.47	65%
Total Rollco Scrip Alternative	35.02	22%	55.71	35%
Total Rollco Shares	159.18	100%	159.18	100%

As contemplated in section 6.5(g), the Rollco Shareholders' Deed also permits the Rollco Board to adopt a management incentive plan and issue shares under that plan to employees, contractors, consultants, executive directors or non-executive directors of Bidder Group. If issued, it is anticipated that shares under the management incentive plan will be fully paid, will rank equally with all other shares issued under the plan, and will not have voting rights.

7.3 Illustrative sources and uses of funds

The scenarios set out in the table below illustrate the potential sources and uses of funds of the consolidated McGrath and Bidder Group and the ownership structure of Rollco which may eventuate at the Implementation Date.

The actual outcome at the Implementation Date may differ from the assumptions made in this section 7.3 resulting in changes to the sources and uses of funds at the Implementation Date and, consequently, may result in changes to the illustrative ownership structures of Rollco at the Implementation Date.

Sources	Minimum Rollco Scrip Alternative to satisfy Scheme condition (i.e. 22%)	Maximum Rollco Scrip Alternative (i.e. 35%)
	A\$ (millions)	A\$ (millions)
Cash provided by the Consortium	74.49	62.08
Rolled aggregate Rollco Scrip Alternative	21.01	33.43
Total sources of funds	95.51	95.51

Uses	Minimum Rollco Scrip Alternative to satisfy Scheme condition (i.e. 22%)	Maximum Rollco Scrip Alternative (i.e. 35%)
	A\$ (millions)	A\$ (millions)
Payment of cash consideration in respect of the All-Cash Alternative	74.49	62.08
Rolled aggregate Rollco Scrip Alternative	21.01	33.43
Total uses of funds	95.51	95.51

The discrepancies between totals in the tables above are due to rounding.

7.4 Summary of rights attaching to Rollco Shares

A summary of the key rights and liabilities attaching to the Rollco Shares and the general obligations under the Rollco Shareholders' Deed is set out below.

The summary below is not exhaustive. McGrath Shareholders considering making a valid Election to receive the Rollco Scrip Alternative, should read and understand the Rollco Shareholders' Deed and Rollco Constitution in full and seek their own independent advice before making a decision.

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

Capitalised terms used in this section which are not defined in this Scheme Booklet have the meanings given to them in the Rollco Shareholders' Deed.

Topic	Summary of Rollco Shares rights and other rights under the Rollco Shareholders' Deed	Summary of current rights as McGrath Shareholder and impact of the Scheme on those rights
Issue and ranking	The Rollco Shares are fully paid and rank equally with each other fully paid ordinary share on issue.	<p>McGrath Shareholders currently hold fully paid ordinary shares that rank equally with each other fully paid ordinary share on issue.</p> <p>McGrath Shareholders who elect to receive scrip consideration should be aware that, under the Rollco Shareholders' Deed, the Consortium Members will have greater approval and information rights (among other rights) than other holders of Rollco Shares.</p>
Variation of class rights	<p>Subject to the terms of the Rollco Constitution, the Rollco Shareholders' Deed, the Corporations Act and the terms of which any shares in Rollco are issued, the rights attaching to a class of shares may only be varied or cancelled by Special Board Approval.</p> <p><i>For further information refer to clause 2.7 and Schedule 2 of the Rollco Shareholders' Deed.</i></p>	Under the current McGrath constitution and the Corporations Act, McGrath Shareholders currently have the right to vote on resolutions relating to variation of class rights.
Dividends	<p>Declaration or payment of any dividends will be at the sole discretion of the Rollco Board and must be approved by Investor Board Approval and subject to the Corporations Act.</p> <p><i>For further information refer to clause 7 of the Rollco Shareholders' Deed.</i></p>	McGrath Shareholders are presently entitled to receive dividends on McGrath Shares determined to be paid at the sole discretion of the McGrath Board (subject to the Corporations Act and the ASX Listing Rules).
Public Unlisted Company	<p>Rollco is an unlisted public company. As such Rollco will not be subject to the various provisions that were applicable to McGrath previously as a company listed on the ASX. For example, the continuous disclosure obligations under the Listing Rules and Australia's takeover regime will no longer apply (for the latter, so long as Rollco does not have more than 50 shareholders).</p> <p>It is not expected that Rollco will, in the foreseeable future, have more than 50 shareholders, unless otherwise determined by the Rollco Board and subject to certain exceptions, each Rollover Shareholder will hold its Rollco Shares through a nominee.</p>	McGrath Shareholders who elect to receive scrip consideration should be aware that, as an unlisted public company, Rollco will not have to comply with many provisions of the Corporations Act and the ASX Listing Rules which McGrath is presently required to comply with.

Topic	Summary of Rollco Shares rights and other rights under the Rollco Shareholders' Deed	Summary of current rights as McGrath Shareholder and impact of the Scheme on those rights
Rollco Board	<p>The Rollco Board must be constituted by a minimum of five directors.</p> <p>The maximum number of directors is 10.</p> <p>Each Shareholder is entitled to appoint, remove and replace one director to the Rollco Board for each 10% of Rollco Shares held.</p> <p>A Chairperson may be appointed by Investor Board Approval, but the chairperson does not have a casting vote.</p> <p><i>For further information refer to clause 3 of the Rollco Shareholders' Deed.</i></p>	<p>Presently, the McGrath Shareholders may by resolution appoint, remove or replace a director at general meeting. McGrath Shareholders who elect to receive scrip consideration but do not hold the required interest will have no rights to appoint, remove or replace a director of Rollco.</p>
Rollco Board meetings	<p>One Nominee Director is required to form a quorum for a Rollco Board meeting.</p> <p>Subject to applicable law and the terms of the Rollco Shareholders' Deed, all actions or resolutions of the Rollco Board will be made by the affirmative vote of a simple majority resolution of directors (being directors that together hold more than 50% of the total voting rights of all directors who attend the relevant Rollco Board meeting or sign the relevant written resolution (as the case may be) and who are entitled to vote on the relevant resolution).</p> <p><i>For further information refer to clause 4 of the Rollco Shareholders' Deed.</i></p>	<p>McGrath Shareholders do not presently have any express rights in relation to McGrath Board representation. The rights of McGrath Shareholders who receive scrip consideration will remain unchanged in this regard if they do not hold a required interest.</p>
Rollco Shareholder meetings and voting	<p>A quorum for a meeting of shareholders is constituted by: (i) if the number of members entitled to vote is two or more, 50% of the total number of voting shares; or (ii) if only one member is entitled to vote, that member, present at the meeting.</p> <p>Each Rollco Shareholder is entitled to the number of votes which is equivalent to the number of fully paid Ordinary Shares held by it subject to the terms of the Rollco Shareholders' Deed.</p> <p>Subject to the other terms of the Rollco Constitution and to any rights or restrictions attached to any shares or class of shares, at a general meeting:</p> <ul style="list-style-type: none"> • on a show of hands, every member present has one vote; and • on a poll, every member present has: <ul style="list-style-type: none"> - one vote for each fully paid share held by the member and in respect of which the member is entitled to vote; and - a fraction of a vote for each partly paid share held by the member and in respect of which the member is entitled to vote, equivalent to the proportion which the amount paid (not credited) on the share 	<p>A quorum for a McGrath Shareholders meeting is three attending shareholders entitled to vote on a resolution at that meeting.</p> <p>Each McGrath Shareholder is presently entitled to the number of votes which is equivalent to the number of fully paid up shares held by it. While this will remain the same for any McGrath Shareholders who receive scrip consideration, the terms of the Rollco Shareholders' Deed are such that the matters that require a vote of Rollco Shareholders will be significantly narrower than the matters that presently require the approval of McGrath Shareholders.</p>

Topic	Summary of Rollco Shares rights and other rights under the Rollco Shareholders' Deed	Summary of current rights as McGrath Shareholder and impact of the Scheme on those rights
	<p>bears to the total amounts paid and payable (excluding amounts credited) on the share.</p> <p>Simple majority decisions</p> <p>Subject to the Corporations Act, all shareholder decisions (other than in relation to the matters specifically provided for in the Rollco Shareholders' Deed) will be made by the affirmative vote of a simple majority (50%) of Shareholders present (in person or by proxy) and entitled to vote. Subject to the Corporations Act, the Rollco Shareholders' Deed vests the decision making power with the Rollco Board.</p> <p>Special Board Approval</p> <p>The following decisions will require: (i) a simple majority resolution of the Rollco Board; (ii) the approval of at least one Nominee Director appointed by each Investor Shareholder; and (iii) where there are one or more Nominee Directors appointed by Non-Investor Shareholders, the approval of at least one of those Nominee Directors:</p> <ul style="list-style-type: none"> • (Related Party Transactions) entering into, materially amending, terminating or initiating a related party transaction with any Shareholder, other than on terms which are no less favourable than arms' length terms or in the ordinary course of business; • (Liquidation) liquidation or winding up of Rollco or any Group Company which holds at least 5% of the Group's total assets or contributes at least 5% of the Group's total revenue; • (Capital Structure) any: <ul style="list-style-type: none"> - issue of a new class of shares, other than in accordance with the Rollco Shareholders' Deed; - buy-back, redemption, purchase or cancellation of any shares or reduction of share capital in Rollco which is not on a pro rata basis or in accordance with any Management Equity Plan; or - any variation of the rights of any class of shares in Rollco; and • (Change to Constitution) any amendment to the Constitution or any other constituent documents of Rollco. <p><i>For further information refer to schedule 2 of the Rollco Shareholders' Deed.</i></p>	
Winding up	If Rollco is wound up, the liquidator may:	McGrath Shareholders who receive scrip consideration will have equivalent rights in a winding up of Rollco as they

Topic	Summary of Rollco Shares rights and other rights under the Rollco Shareholders' Deed	Summary of current rights as McGrath Shareholder and impact of the Scheme on those rights
	<ul style="list-style-type: none"> • divide among the members the whole or any part of the property of Rollco; and • determine how the division is to be carried out as between the members or different classes of members. <p><i>For further information refer to clause 11 of the Rollco Constitution.</i></p>	<p>would have in a winding up of McGrath.</p>
Issue of further Rollco shares	<p>Rollco must first offer any new shares in Rollco on a pro-rata basis to eligible holders of existing shares, except in the following circumstances:</p> <ul style="list-style-type: none"> • emergency funding requirements to Investor Shareholders (after having first bona fide considered other means of financing), provided that Rollco must either offer new shares in Rollco on a pro-rata basis to each other existing Shareholder or allow those Shareholders to acquire shares from one or more of the Investor Shareholders following the provision of emergency funding to allow each eligible holder to maintain its relevant proportionate interest in Rollco; • the issue of shares in connection with the Scheme, being issuances of Rollco Shares to the Investor Shareholders to provide funding to finance the payment of cash consideration under the Scheme to McGrath Shareholders or to repay debts of McGrath in place prior to implementation of the Scheme, such Rollco Shares to be issued at an issue price of \$0.60 per share; • the issuance of Rollco Shares provided for in the Scheme Implementation Deed; • the issue of shares in respect of the bona fide, arm's length acquisition of, or merger with, a company, or the acquisition of a company, business, franchise or assets, by a Group Company; • the issue of shares to management in Rollco under a Management Equity Plan; and • the issue of shares pursuant to an initial public offering of Rollco or one of its subsidiaries (IPO). <p><i>For further information refer to clauses 8 and 9 of the Rollco Shareholders' Deed.</i></p>	<p>Subject to applicable law and any rights and restrictions attached to a class of shares, McGrath may by resolution of the McGrath Board issue shares, options to acquire shares and other securities with rights of conversion to shares on any terms, to any person, at any time and for any consideration, as the McGrath Board resolves.</p> <p>McGrath is presently required to comply with the ASX Listing Rules in relation to the issuance of McGrath Shares, including obtaining McGrath Shareholder approval for issuances in certain circumstances. For more information, see Chapter 7 of the ASX Listing Rules.</p> <p>As an unlisted company, Rollco will not be required to comply with the ASX Listing Rules. McGrath Shareholders who elect to receive scrip consideration should be aware that Rollco will not need to seek the approval of Shareholders to issue any number of shares in Rollco (in any class) including any issuance of shares to pursue acquisitions or to incentivise members of McGrath management.</p>
Restrictions on transfer and granting security interests	<p>The directors must decline to register any transfer of shares, unless that transfer is permitted by the Rollco Shareholders' Deed.</p> <p><i>For further information refer to clause 5.2 of the Rollco Constitution.</i></p>	<p>McGrath Shareholders are presently able to sell their McGrath Shares on market at any time and there is a liquid market for McGrath Shares.</p> <p>McGrath Shareholders who elect to receive scrip consideration should be aware that Rollco will be an unlisted</p>

Topic	Summary of Rollco Shares rights and other rights under the Rollco Shareholders' Deed	Summary of current rights as McGrath Shareholder and impact of the Scheme on those rights
		<p>public company and as such, there will be no public market for the trading of Rollco Shares post implementation of the Scheme and a lack of liquidity in respect of their Rollco Shares and other securities in Rollco.</p> <p>Further, the Rollco Shareholders' Deed imposes extensive restrictions on the transfer of Rollco Shares with limited exceptions which further restrict the ability of a Shareholder in being able to sell its securities.</p>
<p>Restrictions on Dealing</p>	<p>A Shareholder must not dispose of any of its Securities unless:</p> <ul style="list-style-type: none"> by way of transfer to a permitted transferee (being a person that that person controls or is under common control, or a Family Company, Family Trust or self-managed superannuation fund), or where the person is a trustee or custodian, includes any replacement trustee or custodian; or in accordance with the exit mechanisms outlined below. <p>If a transferee ceases to be a permitted transferee, they must transfer back their holding to the original transferor (or another permitted transferee of the transferor).</p> <p><i>For further information refer to clause 10 of the Rollco Shareholders' Deed.</i></p>	<p>See above.</p>
<p>Drag along rights</p>	<p>If the Investor Shareholders propose to sell all or a proportion of their shares to a third party, they may require each other Rollco Shareholder to sell the same proportion of their securities to the third party on terms no less favourable than the terms offered by the third party to the selling shareholder(s).</p> <p><i>For further information refer to clause 12 of the Rollco Shareholders' Deed.</i></p>	<p>There are no equivalent provisions under McGrath's constitution – this provision is specific to Rollco's structure. McGrath Shareholders who elect to receive scrip consideration should be aware that they will have no rights to vote on any transactions involving the use of the drag along right.</p>
<p>Tag along rights</p>	<p>If the Investor Shareholders propose to sell 40% or more of their shares to a third party, each other Rollco Shareholder may require them to procure that the third party also acquires the same proportion of their securities to the third party on terms no less favourable than the terms offered by the third party to the selling shareholder(s).</p> <p><i>For further information refer to clause 13 of the Rollco Shareholders' Deed.</i></p>	<p>There are no equivalent provisions under McGrath's constitution – this provision is specific to Rollco's structure.</p>
<p>IPO</p>	<p>If the Rollco Board (by Investor Board Approval) wishes to pursue an IPO, each Shareholder must sell down or retain such interests in Rollco as the</p>	<p>There are no equivalent provisions under McGrath's constitution – this</p>

Topic	Summary of Rollco Shares rights and other rights under the Rollco Shareholders' Deed	Summary of current rights as McGrath Shareholder and impact of the Scheme on those rights
	<p>Investor Shareholders are selling down or retaining.</p> <p>Each Shareholder must also act in good faith to provide reasonable undertakings and enter into reasonable escrow arrangements, subject to the terms of the Rollco Shareholders' Deed.</p> <p><i>For further information refer to clause 14 of the Rollco Shareholders' Deed.</i></p>	<p>provision is specific to Rollco's structure.</p> <p>McGrath Shareholders who elect to receive scrip consideration should be aware that they will have no rights to vote on any transactions involving Rollco pursuing an IPO in the future.</p>
<p>Compulsory Acquisition – Shareholder Default</p>	<p>If a Shareholder commits an event of default under the Shareholders' Deed (Defaulting Shareholder), the Rollco Board may determine that all or a portion of the Defaulting Shareholders' Rollco Shares must be sold to the Investor Shareholders, Rollco or a third party buyer.</p> <p>The purchase price for the Rollco Shares will be 85% of fair value as determined by an independent professional valuer (except where the default is due to insolvency, in which case the price will be fair value).</p> <p>In assessing fair value, the independent valuer may consider (among other things) the control rights attaching to the Rollco Shares and/or the lack of marketability or illiquidity of the Rollco Shares.</p> <p><i>For further information refer to clause 15 of the Rollco Shareholders' Deed.</i></p>	<p>There are no equivalent provisions under McGrath's constitution – this provision is specific to Rollco's structure.</p> <p>McGrath Shareholders who elect to receive scrip consideration should be aware that, if they default under the Rollco Shareholders' Deed, they may be required to dispose of their Rollco Shares.</p>
<p>Compulsory Acquisition – Small Holdings</p>	<p>At any time after the end of the first year period commencing on the Implementation Date, the Rollco Board may give written notice to any Shareholders holding a Small Holding (being a shareholder in Rollco of \$10,000 or less (based on the value of a Rollco Share implied on the Implementation Date)) requiring those Shareholders to dispose of all of its Small Holding (Small Holding Disposal Notice).</p> <p>The Small Holding Disposal Notice will set out the terms applying to the disposal (including how the Rollco Board requires that Shareholder to dispose of its Small Holding, the date of the disposal, and the price per security which will be fair value as determined by an appropriate independent professional valuer in the case of Rollco Shares).</p> <p>In assessing fair value, the independent valuer may consider (among other things) the control rights attaching to the Rollco Shares and/or the lack of marketability or illiquidity of the Rollco Shares.</p> <p><i>For further information refer to clause 15 of the Rollco Shareholders' Deed.</i></p>	<p>The ASX Listing Rules contemplate a process by which McGrath could seek to consolidate "unmarketable parcels" (being parcels of McGrath Shares under \$500) in certain circumstances.</p> <p>McGrath Shareholders who elect to receive scrip consideration should be aware that, if they hold or are likely to hold a Small Holding, Rollco may exercise its compulsory acquisition rights under the Rollco Shareholders' Deed after one year without consulting with, or approval from, the relevant Shareholders.</p>

Topic	Summary of Rollco Shares rights and other rights under the Rollco Shareholders' Deed	Summary of current rights as McGrath Shareholder and impact of the Scheme on those rights
Power of Attorney	<p>Each appointment of an attorney by a Shareholder or relevant appointer under certain clauses of the Rollco Shareholders' Deed (including the provisions relating to the drag along rights, tag along rights, IPO and the appointment of a nominee) is made on the following terms:</p> <ul style="list-style-type: none"> • the appointor irrevocably appoints Rollco as its attorney to complete and execute such instruments and resolutions for and on its behalf as the attorney thinks necessary to give effect to any of the transactions contemplated by the relevant clause; • the appointor agrees to ratify and confirm whatever the attorney lawfully does, or causes to be done, under the appointment; • the appointor agrees to indemnify the attorney against all claims, demands and costs arising in any way in connection with the lawful exercise of all or any of the attorney's powers and authorities under that appointment except in respect of claims, demands and costs arising as a result of that attorney's fraud, negligence or wilful default; and • the appointor agrees to deliver to the company on demand any power of attorney, instrument of transfer or other instruments as the company may require for the purposes of any of the transactions contemplated by the relevant clause. <p><i>For further information refer to clause 26.6 of the Rollco Shareholders' Deed.</i></p>	<p>There are no equivalent provisions under McGrath's constitution – this provision is specific to Rollco's structure.</p> <p>McGrath Shareholders who elect to receive scrip consideration should be aware that they are agreeing to grant a power of attorney to Rollco in respect of a range of matters relating to their Rollco shareholding, including matters which, in the context of McGrath, they would be required to sign, consent to or approve. This means that certain actions may occur without any input from McGrath Shareholders who elect to receive the scrip consideration (noting that, in most circumstances, the power of attorney is only granted upon a default by the Rollover Shareholders of their obligations under the Rollco Shareholders' Deed).</p>
Accession Deed	<p>No person may be registered as a holder of shares in Rollco unless they execute and deliver an accession deed agreeing to be bound by the terms of the Rollco Shareholders' Deed (except in the case of an IPO or where the proposed transferee is already party to the Rollco Shareholders' Deed).</p> <p><i>For further information refer to clause 24 of the Rollco Shareholders' Deed.</i></p>	Not applicable.
Restraint	<p>Each Rollco Shareholder who:</p> <ul style="list-style-type: none"> • holds more than 5% of Rollco Shares; or • is a franchisee of Bidder Group (or an Affiliate of a franchisee of Bidder Group), <p>undertakes to Rollco that until 12 months after it ceases to hold Rollco Shares, it and its Affiliates will not:</p> <ul style="list-style-type: none"> • be involved within Australia in any capacity in any business or activity which: (i) sells, markets or manages Australian residential 	Not applicable.

Topic	Summary of Rollco Shares rights and other rights under the Rollco Shareholders' Deed	Summary of current rights as McGrath Shareholder and impact of the Scheme on those rights
	<p>real estate (excluding residential development sites); (ii) provides Australian residential mortgage broking services; (iii) trains Australian residential real estate agents; (iv) provides auction services in the Australian residential sector; or (v) offers the same or substantially similar products or services as those offered by Bidder Group;</p> <ul style="list-style-type: none"> • directly or indirectly solicit any person who was a customer, client or supplier of Bidder Group in the past 12 months; • directly or indirectly entice or endeavour to entice from Bidder Group any person who is, or was during the then preceding 12 months, an employee, consultant or officer in a managerial role of Bidder Group; or • act in any way which may harm or prejudice the reputation or good name of Bidder Group. 	
<p>Nominee Deed</p>	<p>Unless otherwise determined by the Rollco Board, each Rollover Shareholder will hold its Rollco Shares through a nominee.</p> <p>Notwithstanding the above, a Rollover Shareholder that holds 5% or more of Rollco Shares on issue immediately after the Implementation Date will be entitled to hold its Rollco Shares directly and not through the nominee.</p> <p>Rollco will appoint the nominee to hold all of the Rollco Shares issued to a Rollover Shareholder on bare trust pursuant to the terms of the nominee deed.</p> <p>Following appointment of a nominee, each holder of Rollco Shares agrees to appoint Rollco as its attorney for the purpose of facilitating the transfer of its shares to the nominee.</p> <p>The key terms of the nominee arrangements under the nominee deed and the Rollco Shareholders' Deed are as follows:</p> <ul style="list-style-type: none"> • each holder through the nominee will be beneficial holders in relation to shares held by the nominee as bare trustee on their behalf; • each holder will be able to instruct the nominee to exercise voting rights or take other steps as the registered holder of shares on its behalf; • Rollco will procure that any distribution or dividend that would otherwise be paid to the Nominee will instead be paid to the relevant beneficial holder in proportion to the number of shares that are held on trust for that beneficial holder; 	<p>Each McGrath Shareholder is presently entitled to choose to hold its McGrath Shares in its own name or in a structure of its choice (including through a nominee on bare trust for the relevant McGrath Shareholder).</p> <p>McGrath Shareholders who elect to receive scrip consideration should be aware that Rollco will, other than in limited circumstances, require the Shares held by McGrath Shareholders in Rollco to be held by a nominee on bare trust (rather than in the name of the McGrath Shareholder).</p> <p>Shareholders holding through the nominee will still be entitled to the economic benefits associated with their beneficial shareholding.</p>

Topic	Summary of Rollco Shares rights and other rights under the Rollco Shareholders' Deed	Summary of current rights as McGrath Shareholder and impact of the Scheme on those rights
	<ul style="list-style-type: none"> • Rollco will give, make available or despatch all notices or information it circulates to shareholders to beneficial holders as well as the nominee; • there will be no meetings of the beneficial holders; • a holder who is a beneficial holder under the nominee deed must not (without the consent of the Rollco Board) direct the nominee to transfer legal title to the shares held on trust for that holder back to the underlying beneficial owner; and • the restrictions on transfer set out above continue to apply to shareholders that are beneficial holders through the nominee. However, a beneficial holder may transfer shares to a permitted transferee on the basis that the nominee is directed to hold legal title to the relevant shares as bare trustee on behalf of the transferee, unless the Rollco Board agrees otherwise. <p>Under the terms of the relevant nominee deed, Rollco will undertake to the nominee that it will dispatch or make available any notice of meeting of shareholders to the beneficial holders of the Shares, and the nominee must, to the extent reasonably practicable, vote at any such meeting as directed by an instruction given by the underlying beneficial holder. To the extent the nominee considers that it is unable to act on an instruction given by a beneficial holder, the nominee must promptly (and within two Business Days) notify the relevant beneficial holder and resolve and seek a withdrawal of the instruction or re-issue or clarify the instruction.</p> <p><i>For further information refer to clause 17 of the Rollco Shareholders' Deed.</i></p>	

Risks

8 Risks

8.1 Introduction

The Scheme presents potential risks that McGrath Shareholders should consider when deciding how to vote on the Scheme and whether to make an Election to receive the Rollco Scrip Alternative.

This section outlines some of the:

- risks relating to the business and operations of McGrath, including your current investment in McGrath Shares (see sections 8.2 and 8.3);
- risks relating to Rollco Shares (see section 8.4); and
- risks relating to the Scheme (see section 8.5).

The risks in sections 8.2 and 8.3 relating to the business and operations of McGrath will only apply to you if:

- you retain your McGrath Shares in circumstances where the Scheme does not proceed; or
- you receive Rollco Shares by making a valid Election in circumstances where the Scheme is implemented, which gives you an ongoing exposure to the business of McGrath through Rollco (in which case, you will also be exposed to the risks in section 8.4 relating to Rollco Shares).

You will not be exposed to the risks in this section 8 (other than the risks in section 8.5(c)) if the Scheme is implemented and you receive the All-Cash Alternative.

In deciding whether to vote in favour of the Scheme and whether to make an Election to receive the Rollco Scrip Alternative, McGrath Shareholders should read this Scheme Booklet carefully and consider the following risk factors. These risk factors do not take into account the individual investment objectives, individual risk profile, portfolio strategy, taxation and financial situation, position or particular needs of McGrath Shareholders. You should seek independent financial, legal, accounting, taxation and/or other professional advice before making any decision in relation to your McGrath Shares.

In addition, this section 8 is a summary only and does not purport to list every risk that may be associated with an investment in McGrath now or in the future. There also may be additional risks and uncertainties not currently known to McGrath which may have a material adverse effect on McGrath's operating and financial performance and the value of McGrath Shares.

Whilst the McGrath Board unanimously recommends that McGrath Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders, McGrath Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme.

8.2 General risks

McGrath is exposed to a number of general risks that could materially adversely affect its assets and liabilities, the future operating and financial position, profits, prospects of McGrath, the potential to make further distributions to McGrath Shareholders, and the price and/or value of McGrath Shares.

General risks that may impact on McGrath or the market for McGrath Shares include:

- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices and consumer demand;
- changes to government policy, legislation or regulation;
- the nature of competition in which McGrath operates;
- inclusion or removal from major market indices;
- natural disasters or catastrophes and other general operational and business risks;
- variations in McGrath's operating results;
- recommendations by securities analysts;
- changes in investor sentiment and overall performance of the Australian and international stock markets;
- the operating and trading price performance of other comparable listed entities; and
- changes to accounting standards and reporting standards.

Some of these factors could affect McGrath's share price regardless of McGrath underlying operating performance.

8.3 Risks relating to the business and operations of McGrath

- (a) Australian residential real estate market:** McGrath generates the majority of its income from the Australian Eastern Seaboard residential real estate market through commission revenue generated by agents on the sale of properties and property management commissions. The risk of a reduction in sales transaction volumes or prices is a material risk for McGrath and could be impacted by general economic conditions and factors beyond the McGrath's control such as housing affordability, employment, interest rates, domestic investor growth and demand, foreign investment and consumer confidence.
- (b) Increased competition and disintermediation:** McGrath operates in a highly competitive environment and constantly monitors the market and the competitive environment. McGrath is also potentially exposed to disintermediation whereby buyers and sellers are able to transact directly in a private sale without using the services of an agent. Although to date in Australia the level of private sales is believed to be low, the volume of private sales may increase due to factors such as improvements in technology and the establishment or growth of websites that allow such sales. A significant increase in the level of private sales and a corresponding decrease in the level of agent sales may have an adverse effect on McGrath's future financial performance and position. McGrath mitigates this risk by delivering exceptional client service and providing a market-leading experience.
- (c) Loss of key agents:** McGrath relies significantly on its agents to deliver services to clients and promote the reputation of the Company through their dealings with clients. There is a risk that McGrath may lose agents to competitors and/or other industries. McGrath mitigates this risk by providing a competitive commission and incentive program which could include some equity participation, designed to assist in attracting and retaining high performing residential sales agents.

- (d) **Franchise risk:** The success of McGrath's business and its ability to grow relies on McGrath's ability to retain existing franchisees and continue to attract new franchisees. If McGrath is not able to retain the existing key franchisees, or attract new franchisees, this could have an adverse impact on McGrath's business, operating and financial performance.

Franchisees may leave the McGrath network or commence their own operations. In addition to reducing McGrath's franchisee revenue, this may also result in the exit of McGrath from a particular area and/or increase in competition in areas in which McGrath operates currently.

The reliance of McGrath on a franchise office network also causes risks for McGrath in the management and administration of numerous and geographically diverse franchise offices.

- (e) **Digital disruption:** McGrath focuses on four key service offerings including residential property sales, property management, auction services and career training. As technological advancements occur, there is a risk that new entrants into the market or larger established corporations may offer alternative services and products to that of the traditional real estate service offerings. These may impact McGrath's market share.

- (f) **Regulatory risks:** McGrath currently has business operations in New South Wales, Queensland, Victoria and Tasmania, with regulations and legislation varying in each state and territory. McGrath relies on licences and approvals issued by various regulatory bodies to carry out its services. Non-compliance may result in penalties and a negative impact to McGrath's operations and reputation.

Additionally, changes and developments in legislation (for example the recently introduced legislation which imposes a positive duty to prevent workplace harassment) and/or regulation and policy in different jurisdictions may impact McGrath's operations. Non-compliance could cause reputational damage to McGrath and potentially impact McGrath's ability to retain and attract key employees, franchisees and agents. McGrath mitigates regulatory risks through monitoring the regulatory and legislative environment, providing appropriate staff training, and maintaining relationships with regulatory bodies or industry organisations. McGrath also participates in various industry events.

- (g) **Cybersecurity:** The ongoing cyber security risk of McGrath includes data breach risks, privacy, identity theft and fraud. McGrath continues to mitigate these risks including by way updating its security operations centre, third party risk assessments and upgrading malware protection software.

- (h) **Climate change:** More frequent and severe weather events and longer-term shifts in climate patterns could reduce the prices on sale transactions in the residential real estate market, resulting in reduced commission revenue generated by agents. This could have an adverse impact on McGrath's financial performance.

- (i) **Reputation and brand risk:** The success of McGrath is largely dependent on its reputation and branding. Maintaining the strength of the reputation and branding of McGrath and its underlying brands is integral to McGrath's ability to maintain relationships with existing customers, appeal to new customers, maintain revenue growth and attract key employees, franchisees and agents.

There is a risk that certain issues or events may adversely affect the reputation of McGrath, including through negative publicity.

- (j) **Credit risk:** McGrath is exposed to certain credit risks from time to time which could cause financial loss to McGrath if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from McGrath's receivables from customers.

- (k) **Liquidity risk:** If the McGrath's cash balances were substantially reduced McGrath could encounter difficulty in meeting the obligations associated with its financial liabilities.
- (l) **Market risk:** McGrath faces market risk where changes in market prices, such as interest rates, could affect McGrath's financial performance and position. Changes in interest rates could cause a change in McGrath's profits and cashflow. Market risks could affect the fair value of financial instruments and the carrying values of the assets and liabilities on McGrath's balance sheet and affect profit, including but not limited to the fair value of its investments that have unobservable inputs to their fair value determination.
- (m) **Investments risk:** McGrath has a number of investments in businesses which are tangential to its main operations such as Honey Insurance, Oxygen, and various other investments. Some of these are speculative in nature and all investments carry the risk of decline in value as well as increase in value.

8.4 Risks relating to Rollco Shares

McGrath Shareholders should carefully read this Scheme Booklet in its entirety and specifically consider these risks before making an Election (noting that the McGrath Directors make no recommendation in relation to the Rollco Scrip Alternative due to the speculative nature of the Rollco Shares and the fact that whether the Rollco Scrip Alternative is appropriate will depend significantly on the characteristics and risk profile of the individual McGrath Shareholder).

McGrath Shareholders who elect to receive the Rollco Scrip Alternative should consider a number of risks that can be broadly classified as risks specific to an investment in Rollco Shares post implementation of the Scheme and general risks relating to investing in unquoted securities. These risks may, individually or in combination, have a material adverse effect on Rollco's future financial performance, financial position, cash flows distributions and/or your ability to dispose of Rollco Shares if you wish to do so and, consequently, on the value of your Rollco Shares.

You should note that this section 8.4 is not an exhaustive list of the risks associated with an investment in Rollco post implementation of the Scheme. Further, many of these risks are outside the control of Bidder, Rollco and the Consortium and either cannot be mitigated or can only be partially mitigated. You should also carefully consider these factors in the light of your personal circumstances and seek professional advice from your accountant, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to make an Election to receive the Rollco Scrip Alternative. There is no guarantee that Bidder will achieve its stated objectives or any of its statements of current future intent as described in section 6.5, or that any dividends or distributions will be paid to Rollco shareholders post implementation of the Scheme.

You should read the Scheme Booklet in its entirety and specifically consider the factors contained within this section 8.4 before making an Election to receive the Rollco Scrip Alternative. The risk factors that apply to an investment in Rollco post implementation of the Scheme are materially different from those that apply to your existing investment in McGrath. Despite the operating history of McGrath, an investment in Rollco post implementation of the Scheme should be considered a speculative investment.

(a) Different regulatory regime

Many of the protections available to shareholders of Australian listed companies are not available to shareholders of unlisted companies. For example, ASX listed companies are subject to continuous disclosure obligations under the Listing Rules.

As Rollco will be an unlisted public company and McGrath will be removed from the official list of the ASX following the Implementation Date, the Listing Rules and, subject to certain conditions, Australia's takeover regime will not apply to the acquisition of Rollco Shares and information that may have required disclosure under the Listing Rules may not be available to shareholders.

There is a risk that, because of the different regulatory regime that applies to an investment in Rollco, Rollco Shareholders may not realise the outcome with respect to their investment that they intended, or which might have been available were their investment in a listed entity.

The takeover provisions in Chapter 6 of the Corporations Act will only apply to Rollco if it has more than 50 shareholders. As outlined above, subject to limited exceptions, it is a requirement under the Rollco Shareholders' Deed, that Rollco has no more than 50 shareholders.

Chapter 6 of the Corporations Act sets out Australia's takeovers regime (which is supplemented by ASIC Regulatory Guides and guidance notes issued by the Australian Takeovers Panel). These provisions prohibit a person from acquiring relevant interests in the securities of a listed entity where it would have the effect of causing the person's or someone else's voting power in the company to increase from 20% or below to above 20%, or to increase from a starting point of above 20% and below 90%, unless an exception applies. Exceptions include where the person increases its voting power by way of a takeover bid or a scheme of arrangement. Chapter 6 also requires public disclosure whether a shareholder holds 5% or more of the voting shares in a company or changes that position by 1% or more.

The purpose of Chapter 6 of the Corporations Act is to ensure such increases in voting power occur in a manner which provides shareholders with sufficient time to enable them to assess an offer put to them by an acquirer, sufficient information and disclosure about the offer and allows them to have an equal opportunity to participate in the offer and any control premium offered by the acquirer.

If Rollco has less than 50 shareholders, then there is no specific regime under the Corporations Act regulating acquisitions of shares in Rollco. However, the Rollco Shareholders' Deed restricts Rollco Shareholders from transferring or disposing of shares in Rollco (see section 7.4 of this Scheme Booklet for details).

(b) Lack of dividends

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

The Rollco Board's determination in respect of any dividend will have regard to matters including the working capital and other capital requirements of the Rollco Group as well as any restrictions imposed by the third party debt financing arrangements of Bidder Group from time to time.

To the extent Rollco pays any dividends in the future, the level of franking on any dividends on Rollco Shares will be affected by the level of Rollco's available franking credits and distributable profits. Rollco's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which McGrath makes profits and pays tax and any other franked dividends it may receive (if any). Rollco's distributable profits may also be affected by a wide range of factors including its level of earnings. The level of franking on any dividend may vary over time and dividends may be partially, fully or not franked.

(c) Lack of liquidity

Rollco, post implementation of the Scheme, will be an unlisted public company. As such, there will be no public market for the trading of Rollco Shares post implementation of the Scheme, nor is there expected to be any such market in the future. As noted above, there are also substantial restrictions on the ability of Rollco Shareholders to transfer their Rollco Shares under the Rollco Shareholders' Deed. See section 7.4 for further information. This will result in Rollco Shares being substantially illiquid. This may also affect the value of Rollco Shares post implementation of the Scheme as well as your ability to dispose of them, either at all or in a timely manner.

(d) Lack of information

McGrath will not be an ASX listed company following the implementation of the Scheme and Rollco is an unlisted public company. This means that, after the Implementation Date, Rollco Shareholders (other than the Consortium) will receive significantly less information and reports about the McGrath Group than McGrath Shareholders currently receive.

Under the Rollco Shareholders' Deed, Rollco Shareholders are entitled to receive a copy of the latest audited financial statements of the Rollco Group if requested. Rollco Shareholders will not however receive reports such as remuneration reports or corporate governance reports and Rollco will not be required to comply with the extensive continuous disclosure obligations set out in Chapter 3 of the Listing Rules and, provided Rollco has less than 100 shareholders, section 674 of the Corporations Act.

(e) Rollco Shareholders' Deed

McGrath Shareholders who receive Rollco Shares under the Scheme will become bound by the Rollco Shareholders' Deed, which is intended to govern the relationship between investors in Rollco. The Rollco Shareholders' Deed provides Rollco Shareholders with certain rights and obligations in connection with, amongst other things, the governance of Rollco and the disposal of shares and other securities in Rollco and include a restraint on competition activities.

(f) Exit

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

There is no guarantee that Rollco Shareholders will be able to sell their Rollco Shares if a decision to Exit is not made by the Consortium. In particular, there will be no active market for the sale and purchase of Rollco Shares following implementation of the Scheme and there are restrictions, in the Rollco Shareholders' Deed, on the ability of Rollco Shareholders to sell or transfer their Rollco Shares other than in very limited circumstances.

Conversely, there is no guarantee that Rollco Shareholders will want to sell their Rollco Shares at the same time as a decision to Exit is made by the Consortium. Despite this, if a decision to Exit is made, all Rollco Shareholders will be forced to sell their Rollco Shares under the Rollco Shareholders' Deed. Rollco Shareholders may not agree with the exit strategy adopted by Rollco or the Consortium or receive the price and return on investment they expect. For further information about exit rights see section 7.4. Further, the Consortium may transfer their Rollco Shares to an Affiliate without you having the right to exit at the same time.

(g) Dilution

Rollco may need to raise additional capital through the issue of new shares in the future in order to meet the operating and/or financing requirements of itself and McGrath. Rollco is likely to issue Securities to its management team through the establishment of a management incentive scheme. Future capital raisings, equity funded acquisitions by the Rollco Group or issuance of shares to management undertaken in accordance with the Rollco Shareholders' Deed, may dilute the holdings of a particular Rollco Shareholder relative to other Rollco Shareholders. However, in most instances where Rollco raises additional capital, Rollco Shareholders will have the right to participate in such capital raisings to maintain their shareholding proportion in Rollco.

In the event that further equity funding is required, existing Rollco Shareholders may be offered to participate and, if they do not take up their proportional share of any pro rata issue of shares offered to them, have their stakes diluted relative to other Rollco Shareholders who elected to take up their proportional share of any pro rata issue. See section 7.4 for further information.

(h) Leverage

Rollco may operate the McGrath business with a higher level of debt or leverage than is currently the case which will increase the risk of your investment and the volatility of Rollco's earnings.

(i) Fewer rights as minority shareholders

As McGrath Shareholders who receive Rollco Shares under the Scheme will collectively have no more than approximately a 35% interest in Rollco, they will be subject to risks that are inherent in minority shareholdings. However, Rollco Shareholders will have access to certain protections provided under the Rollco Shareholders' Deed, such as pre-emptive rights on the issue of new shares, the right to be dragged on terms that are no less favourable than the terms offered to the Consortium and matters that require certain levels of Rollco Shareholder approval (see section 7.4 for further details). Furthermore, under the Corporations Act there are remedies available to minority shareholders against minority oppression.

The Consortium will have the right to appoint a majority of the directors to the Rollco Board (including the Chairman of Rollco) so the Consortium will be able to exercise majority voting power, and will be in a position to determine the outcome of most decisions relating to Rollco and the Rollco Group more generally. An individual Rollco Shareholder or group of Rollco Shareholders, acting together, will not be able to affect those matters relating to Rollco. McGrath Shareholders who receive the Rollco Shares under the Scheme will therefore, in most cases, be subject to the decisions made by the Consortium in relation to Rollco and the Rollco Group.

The Rollco Shareholders' Deed contains provisions under which Non-Investor Shareholders may be compelled to transfer their Rollco Shares. For example, the Rollco Shareholders' Deed includes a "drag along" provision, which allows holders of Investor Shares to require each other Non-Investor Shareholder to transfer their Rollco Shares to the same transferee in certain circumstances (see section 7.4 for further details).

(j) Due diligence and reliance on information

Before executing the Scheme Implementation Deed, Bidder Group undertook due diligence in respect of the McGrath Group on information provided for the purpose of considering the acquisition of McGrath and negotiating the Scheme Implementation Deed. Such investigations were carried out in a limited timeframe. Bidder is satisfied that it has sufficient information to proceed with the Scheme. Bidder Group has prepared these risks on the basis of information regarding the McGrath Group that is known to Bidder Group and accordingly there may be other risks associated with the McGrath Group that are currently unknown to Bidder. Additionally, there is a risk that the information currently available to Bidder Group in respect of the McGrath Group may contain inaccuracies or have changed due to changes in the economy or other risk factors outside of the control of either Bidder Group or the McGrath Group.

(k) Change of control

Upon implementation of the Scheme, a change of control in McGrath will occur. Certain contracts to which a McGrath Group Member is a party are subject to pre-emptive rights, review or termination upon a change of control. While Bidder is not aware of any counterparty that may wish to terminate a material contract, should any such contracts be terminated, the McGrath Group Member would lose the benefit of the contract and may be unable to obtain similar terms upon entry into replacement contracts (should such replacement contracts be available).

(l) Transaction costs

Bidder and McGrath will incur transaction costs in connection with the Scheme, including financial advisers' fees, filing fees, legal and accounting fees, regulatory fees and mailing costs. Some of these costs may be reduced by the Scheme not being implemented, while other costs may be incurred irrespective of the Scheme outcome.

8.5 Risks relating to the Scheme

(a) Implications relating to implementing the Scheme

The Scheme is subject to various conditions precedent that must be satisfied or waived (if capable of waiver) in order for the Scheme to be implemented. These conditions precedent are outlined in section 4.6 and set out in full in clause 5.1 of the Scheme Implementation Deed. The failure of a condition precedent to be satisfied or waived (if capable of waiver) may also give rise to a right of either McGrath or Bidder to terminate the Scheme Implementation Deed.

(b) Implications for McGrath and McGrath Shareholders if Scheme is not implemented

If the Scheme is not implemented, McGrath Shareholders will not receive the Scheme Consideration and McGrath will continue, in the absence of a Superior Proposal, to operate as a standalone entity and remain listed on the ASX.

Unless McGrath Shareholders choose to sell their McGrath Shares on the ASX, McGrath Shareholders will continue to hold McGrath Shares and be exposed to both the risks (including those set out in sections 8.2 and 8.3) and potential future benefits in retaining exposure to McGrath's business and assets.

The McGrath share price will also remain subject to market volatility and is likely to fall in absence of a Superior Proposal.

(c) Tax consequences for Scheme Shareholders

If the Scheme is implemented, there will be tax consequences for the Scheme Shareholders which may include tax being payable. In addition, if paid by McGrath, the actual value of any Permitted Dividend paid to each McGrath Shareholder may be affected by the tax consequences applying to individual shareholders, given the use of franking credits depends on the individual shareholder's circumstances.

For further details regarding general Australian tax consequences of the Scheme, refer to section 9. The tax consequences may vary depending on the nature and characteristics of McGrath Shareholders and their specific circumstances. McGrath Shareholders should seek professional taxation advice in this regard.

Tax implications

9 Tax implications

9.1 Introduction

This section 9 sets out a general summary of the key Australian income tax, GST and stamp duty consequences for certain McGrath Shareholders that may arise as a result of the disposal of their McGrath Shares under the Scheme (assuming the Scheme is implemented), including the receipt of the Permitted Dividend (to the extent it is declared and paid).

This summary is based on the provisions of the following as at the Last Practicable Date:

- the *Income Tax Assessment Act 1936* (Cth) (**ITAA 1936**);
- the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**);
- the *Tax Administration Act 1953* (**TAA 1953**);
- the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) (**GST Act**); and
- the Australian stamp duty legislation.

McGrath Shareholders should be aware that any changes (with either prospective or retrospective effect) to the Australian tax laws, regulations or administrative practices may affect the taxation treatment as described in this summary.

This summary is intended as a general guide and is not intended to be an authoritative or complete statement of the law applicable to the circumstances of every McGrath Shareholder and is not intended to be advice and should not be relied on as such. The tax consequences for each McGrath Shareholder will vary depending on their specific profile, characteristics, and circumstances. Accordingly, McGrath Shareholders should obtain professional tax advice having regard to their own circumstances.

This summary is relevant to McGrath Shareholders who are individuals, companies, trusts and complying superannuation entities that hold their McGrath Shares on capital account for Australian income tax purposes.

This summary does not apply to all McGrath Shareholders, such as McGrath Shareholders who:

- hold their McGrath Shares on revenue account or as trading stock;
- are “temporary residents” of Australia as defined in section 995-1(1) of the ITAA 1997;
- change their tax residence while holding McGrath Shares;
- are non-resident for Australian income tax purposes and who currently hold, or have at any time held, McGrath Shares through a permanent establishment in Australia;
- acquired their McGrath Shares, or any rights to acquire McGrath Shares, pursuant to an employee share scheme under Division 83A of the ITAA 1997;
- obtained rollover relief in connection with the acquisition of their McGrath Shares;
- are taken to have acquired their McGrath Shares before 20 September 1985;
- are under a legal disability;
- are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their McGrath Shares;
- are subject to special tax rules applicable to certain classes of entities such as tax-exempt organisations, banks, insurance companies, partnerships, superannuation funds with accounts in a tax-free pension phase or dealers in securities; or

- are subject to the Investment Manager Regime under Subdivision 842-I of the ITAA 1997 in relation to their McGrath Shares.

Additionally, this summary does not consider the tax laws of any country other than Australia. Any persons who may be subject to tax in any jurisdiction outside Australia or who fall in any of the above listed situations should obtain independent professional advice on their particular circumstances.

9.2 ATO Class Ruling

McGrath has applied for a class ruling from the ATO (**Class Ruling**) on behalf of certain McGrath Shareholders¹³ on certain matters discussed in this section 9, including:

- the Capital Gain Tax (**CGT**) implications for Australian resident McGrath Shareholders on participating in the Scheme, including the availability for rollover relief for those McGrath Shareholders who elect to receive Rollco Shares under the Rollco Scrip Alternative;
- whether McGrath Shareholders who are “qualified persons” are required to include the franking credits attached to the Permitted Dividend in their assessable income and can claim a tax offset; and
- whether the ATO will seek to apply certain integrity measures to the Scheme Consideration.

The final Class Ruling will not be issued by the ATO until after the Implementation Date of the Scheme. The Class Ruling will be available on the ATO website at www.ato.gov.au.

McGrath Shareholders should review the final Class Ruling when it is issued by the ATO. The income tax comments provided in the following sections are consistent with positions taken in the application for the Class Ruling lodged with the ATO. It is anticipated that the ATO’s views to be expressed in the Class Ruling will be generally consistent with the income tax information in this outline. However, it is possible that the ATO may reach different conclusions in the final Class Ruling.

The Scheme is not conditional on the receipt of the finalised Class Ruling.

¹³ The class of entities proposed to be covered by the Class Ruling include McGrath Shareholders who:

- hold their McGrath Shares on capital account; that is, the McGrath Shares are neither held as revenue assets (as defined in section 977-50 of the ITAA 1997) nor as trading stock (as defined in section 995-1 of the ITAA 1997);
- acquired their McGrath Shares on or after 20 September 1985;
- are residents or non-residents of Australia, as defined in section 6(1) of the ITAA 1936;
- are not subject to the investment manager regime in Subdivision 842-I of the ITAA 1997 in relation to their McGrath Shares;
- are not subject to the taxation of financial arrangement rules in Division 230 of the ITAA 1997 in relation to gains and losses on their McGrath Shares;
- did not acquire their McGrath Shares, or any rights to acquire their McGrath Shares, pursuant to an employee share scheme under Division 83A of the ITAA 1997;
- together with their associates, are not non-residents who hold nor are entitled to acquire, more than 10% of the McGrath Shares; and
- did not previously apply rollover relief in connection with the acquisition of their McGrath Shares.

9.3 McGrath Shareholders that are Australian residents

(a) Australian income tax implications of disposing of McGrath Shares

1. CGT event

Under the Scheme, Scheme Shareholders will transfer their McGrath Shares to Rollco. This will result in a disposal of the McGrath Shares, which will trigger CGT event A1 for Australian income tax purposes. The CGT event will happen on the date on which the transfer of McGrath Shares occurs, which will be the Implementation Date.

2. Calculation of capital gain or loss

Scheme Shareholders should derive a capital gain from the disposal of their McGrath Shares to the extent that the capital proceeds received exceed the cost base of their McGrath Shares.

Conversely, Scheme Shareholders should incur a capital loss from the disposal of their McGrath Shares to the extent that the capital proceeds received are less than the reduced cost base of their McGrath Shares.

A capital loss may be used to offset a capital gain made in the same income year or may be carried forward to offset a capital gain made in future income years (subject to the satisfaction of certain loss recoupment tests that apply to certain taxpayers). Capital losses cannot reduce or offset other income or non-capital gains.

Any resulting net capital gain after the application of any available capital losses and any available CGT discount (refer below) should be included in a Scheme Shareholder's assessable income and subject to Australian income tax at the applicable tax rate.

To the extent Scheme Shareholders receive Rollco Shares for their McGrath Shares as part of any Rollco Scrip Alternative and would have otherwise made a capital gain as a result of the disposal, these Scheme Shareholders may access scrip for scrip rollover relief (discussed further below).

Capital proceeds

Capital proceeds broadly include the money received and the market value of any property received.

The capital proceeds for the disposal of McGrath Shares under the Scheme should be the Scheme Consideration received (excluding the amount of any Permitted Dividend declared and paid by McGrath before the Implementation Date).

In the final Class Ruling, the ATO may adopt a contrary view in relation to the Permitted Dividend and include the Permitted Dividend in the capital proceeds. This may be as a result of the ATO concluding that the acceptance of the Scheme was conditional upon:

- the Permitted Dividend being declared and paid by McGrath;
- Rollco (or a third party) financing or facilitating payment of the Permitted Dividend; or
- Rollco (or a third party) being obligated to bring about the result that the Permitted Dividend will be received by McGrath Shareholders.

In the event that the ATO determines that the Permitted Dividend forms part of the capital proceeds from the disposal of McGrath Shares, Scheme Shareholders will need to take this into account in calculating any capital gain or loss made. To the extent the Permitted Dividend is otherwise included in assessable income, the anti-overlap provisions should apply such that any capital gain made by a Scheme Shareholder would be reduced by the amount of the Permitted Dividend received.

However, where a Scheme Shareholder makes a capital loss from the disposal of McGrath Shares, the Permitted Dividend will be included as assessable income of the Scheme Shareholder, while also reducing the capital loss if it is considered part of the capital proceeds.

Cost base and reduced cost base

A Scheme Shareholder's cost base of McGrath Shares will generally include the amount of money paid, or the value of any property given, in respect of the acquisition of the McGrath Shares plus certain incidental costs (such as brokerage fees) relating to the acquisition, holding and disposal of the McGrath Shares.

The reduced cost base would usually be determined in a similar, but not identical, manner.

The cost base and reduced cost base will depend on the individual circumstances of each Scheme Shareholder.

3. CGT discount

Scheme Shareholders that are individuals, complying superannuation entities or trustees of a trust (conditions apply) that have held their McGrath Shares for at least 12 months (disregarding the date of acquisition and the date of disposal) may be entitled to apply the CGT discount to reduce the amount of a capital gain resulting from the disposal of their McGrath Shares (after being reduced by any current year and prior year capital losses).

The CGT discount rate for individuals and trustees of trusts is 50% and the CGT discount rate for complying superannuation entities is 33 $\frac{1}{3}$ %. The CGT discount is not available to Scheme Shareholders that are companies.

As the rules relating to discount capital gains are complex, Scheme Shareholders should seek their own independent advice on how the CGT discount provisions will apply in their specific circumstances.

4. CGT withholding

Rollco may require certain Scheme Shareholders to undertake certain actions to prevent Rollco withholding an amount of tax from the Scheme Consideration. These requirements are described in further detail under the heading "CGT withholding" in section 9.4 below.

5. Scrip for scrip rollover relief

Scheme Shareholders can make an Election to receive some or all of the Scheme Consideration as Rollco Shares as part of the Rollco Scrip Alternative.

Scheme Shareholders who would otherwise make a capital gain on the disposal of their McGrath Shares under the Scheme may choose scrip for scrip rollover relief under Subdivision 124-M of the ITAA 1997.

Scheme Shareholders cannot choose to apply rollover relief to the extent that they receive cash as part of the All-Cash Alternative or if they made a capital loss on the disposal of their McGrath Shares.

The eligibility for rollover relief is part of the Class Ruling application.

Consequences of choosing scrip for scrip rollover relief

Where a Scheme Shareholder chooses rollover relief under Subdivision 124-M, the capital gain that would otherwise be made on the disposal of their McGrath Shares will be disregarded to the extent that the capital proceeds received are the Rollco Shares.

If rollover relief is available and chosen, the first element of the cost base and reduced cost base of the Rollco Shares should equal the Scheme Shareholder's cost base and reduced cost base (respectively) of their McGrath Shares for which scrip for scrip rollover relief is applied.

The Rollco Shares should be deemed to have been acquired at the time the McGrath Shares were originally acquired. This will be relevant for the purposes of determining eligibility for the CGT discount for a subsequent disposal of Rollco Shares.

Where the ATO adopts the view that the Permitted Dividend should be included in the capital proceeds, and a Scheme Shareholder chooses to apply scrip for scrip rollover relief for any capital gain on the disposal of their McGrath Shares, it will result in a permanent loss of cost base in the Rollco Shares to the Scheme Shareholder. This is because part of the cost base of the Scheme Shareholder's Rollco Shares received will need to be apportioned to the capital proceeds comprising the Permitted Dividend (section 124-790 of ITAA 1997).

The benefit of choosing scrip for scrip rollover relief will depend upon the individual circumstances of each Scheme Shareholder.

Choosing rollover relief

Generally, a choice to adopt scrip for scrip rollover relief must be made by a Scheme Shareholder before lodgement of that Scheme Shareholder's income tax return for the income year in which the CGT event occurs. No formal election notice is required to be lodged with the ATO. A Scheme Shareholder will provide evidence of having made a choice to apply scrip for scrip rollover relief by the way they prepare their income tax return.

6. Consequences if no scrip for scrip rollover relief

Scheme Shareholders who are ineligible to choose scrip for scrip rollover relief, or elect not to choose it, should include the market value of the Rollco Shares as part of their capital proceeds.

The first element of the cost base and reduced cost base of the Rollco Shares should be equal to the market value of the McGrath Shares on the Implementation Date. The acquisition date of the Rollco Shares should be the Implementation Date. This will be relevant for the purposes of determining whether a Scheme Shareholder is eligible for the CGT discount in relation to a subsequent disposal of Rollco Shares.

(b) Australian income tax implications of the Permitted Dividend

McGrath Shareholders who are Australian residents are required to include the Permitted Dividend and the attached franking credits (if any) in their assessable income. Generally, a corresponding tax offset may be available to the McGrath Shareholder provided they are a "qualified person" in relation to the Permitted Dividend (discussed below).

Where a McGrath Shareholder is not a "qualified person", the McGrath Shareholder will not be required to include the amount of the franking credits (if any) in their assessable income and will not be entitled to a corresponding Australian tax offset.

'Qualified person'

For a McGrath Shareholder to be considered a “qualified person” in relation to the Permitted Dividend, they must have held their McGrath Shares at risk for a continuous 45 day period within the qualification period (excluding the dates of acquisition and disposal of their McGrath Shares). The qualification period starts 45 days before the ex-dividend date of the Permitted Dividend and ends the day before the Scheme Record Date.

Where the ATO adopts the view that the Permitted Dividend should be included in the capital proceeds, a McGrath Shareholder must have also held the McGrath Shares at risk for at least 45 days during the “secondary qualification period”. The secondary qualification period means the period beginning on the 45th day before, and ending on the 45th day after the ex-dividend date of the Permitted Dividend.

A McGrath Shareholder will not be considered to have held their McGrath Shares ‘at risk’ where the McGrath Shareholder has materially diminished risks of loss or opportunities for gain in respect of the McGrath Shares. Under the Scheme, McGrath Shareholders should cease to hold the McGrath Shares ‘at risk’ from the Scheme Record Date onwards.

McGrath Shareholders should seek independent professional advice regarding the application of the “qualified person” rule to their particular circumstances.

Franking integrity rules

The franking integrity rules are intended to prevent abuse of the imputation system. The rules are complex and the Class Ruling application seeks to confirm that certain franking integrity rules should not apply.

Excess franking offsets

Provided that the McGrath Shareholder is a “qualified person” in relation to the Permitted Dividend and none of the franking integrity measures apply, to the extent that the McGrath Shareholder’s entitlement to franking offsets exceeds their tax liability for the income year:

- McGrath Shareholders who are Australian resident individuals or are complying superannuation funds should be entitled to receive a refund of the excess franking offsets; and
- McGrath Shareholders that are Australian resident companies may be able to convert excess franking offsets into tax losses.

9.4 McGrath Shareholders that are non-residents of Australia

(a) Australian income tax implications on disposing of McGrath Shares

1. Capital gains tax

Subject to the comment that follows, Scheme Shareholders who are non-residents of Australia for income tax purposes should generally not be subject to Australian income tax (including CGT) on any gain made from participating in the Scheme.

However, Australian CGT may apply to foreign resident Scheme Shareholders if their McGrath Shares constitute “indirect Australian real property interests”. This will be the case, broadly, if:

- the Scheme Shareholder (together with their associates) holds 10% or more of the McGrath Shares on issue on the Implementation Date, or have done so for any continuous 12 month period in the 24 month period before the Implementation Date; and
- the market value of McGrath’s taxable Australian real property is greater than the market value of McGrath’s other assets.

Scheme Shareholders who are non-residents of Australia for income tax purposes and who own, together with their associates, 10% or more of the McGrath Shares on the Implementation Date or have held such an interest during the requisite period should seek independent professional advice as to the tax implications of the Scheme.

2. CGT withholding

The foreign resident capital gains withholding regime may impose a 12.5% withholding obligation (calculated by reference to the Scheme Consideration) on Rollco if Rollco considers, or reasonably believes, that a Scheme Shareholder is a “relevant foreign resident” and the Scheme Shareholder’s interest is an “indirect Australian real property interest” (refer above). For the purposes of these rules, a “relevant foreign resident” is any Scheme Shareholder who, on the Implementation Date, is:

- known or reasonably believed by Rollco to be a non-resident;
- is not reasonably believed by Rollco to be an Australian resident, and has an address outside Australia or has authorised Rollco to provide a financial benefit to a place outside of Australia; or
- has a connection outside Australia of a kind specified in the regulations.

If Rollco considers or reasonably believes you are a “relevant foreign resident”, and that your interest is an “indirect Australian real property interest”, you will be provided with a foreign resident capital gains withholding taxation declaration form (**Declaration Form**).

A number of factors will be considered in determining whether Rollco considers or reasonably believes you as a Scheme Shareholder are a “relevant foreign resident”, including where you:

- are classified as a non-resident or have a non-Australian domicile in McGrath Share Register;
- have a foreign registered address; or
- in the case of a corporate shareholder, are not incorporated in Australia or have a registered name which leads Rollco to reasonably believe you are not an Australian incorporated entity.

If for whatever reason, you think that you are a foreign resident, and that your Scheme Shares may be considered to represent an “indirect Australian real property interest” but you do not receive a Declaration Form, you should contact the McGrath Share Registry to request a Declaration Form.

In the Declaration Form, a Scheme Shareholder may provide Rollco with a declaration that the registered holder of the relevant Scheme Shares does not hold membership interests which are subject to the withholding rules because:

- the registered holder of the relevant Scheme Shares is an Australian resident; or
- the registered holder of the relevant Scheme Shares, together with its associates, does not and is not anticipated to hold 10% or more of McGrath Shares on issue on the Implementation Date, or will not have done so for any continuous 12 month period in the 24 month period before the Implementation Date.

If you receive a Declaration Form you should read it in full and follow the instructions provided on the Declaration Form. Unless a signed declaration regarding your residency, or interest, is provided to Rollco by the Scheme Record Date, you might be treated as being a “relevant foreign resident” for the purposes of the Scheme. Where you are so treated, Rollco may withhold, and remit, an amount equal to 12.5% (or some lesser amount approved by the Commissioner of Taxation) of your Scheme Consideration payable to you, to the Commissioner of Taxation.

In the event that Rollco is required to withhold from your Scheme Consideration, and you have elected to receive a combination of Rollco Shares under the Rollco Scrip Alternative and cash under the All-Cash Alternative, the withholding will first be made against the cash under the All-Cash Alternative. If required, the Rollco Shares under the Rollco Scrip Alternative will be reduced to the extent necessary to discharge the balance of the withholding obligation.

Scheme Shareholders who have an amount withheld may be entitled to a credit for that amount withheld on lodging an Australian income taxation return. Affected Scheme Shareholders should seek their own independent advice regarding foreign resident capital gains withholding and if relevant the completion of a Declaration Form.

(b) Australian income tax implications of the Permitted Dividend

Any Permitted Dividend will be fully franked. As such, any Permitted Dividend should be non-assessable, non-exempt income for non-resident McGrath Shareholders (other than those who receive the Permitted Dividend in carrying on business in Australia at or through a permanent establishment in Australia) and therefore not included in their Australian assessable income.

McGrath Shareholders that are non-residents should not be liable for Australian dividend withholding tax in respect of the Permitted Dividend as it is fully franked.

McGrath Shareholders who are non-residents for income tax purposes should seek independent professional advice as to the tax implications of the receipt of the Permitted Dividend, including the tax implications in their country of residence.

9.5 GST

McGrath Shareholders should not be liable for GST in respect of a disposal of their McGrath Shares under the Scheme.

Similarly, the acquisition of Rollco Shares by McGrath Shareholders as part of any Rollco Scrip Alternative should not be subject to GST.

McGrath Shareholders should obtain their own tax advice in relation to any GST implications associated with the Scheme, including reverse-charge GST liabilities and entitlement to claim ‘input tax credits’ (including ‘reduced input tax credits’) on account of any GST that is paid on acquisitions made in connection with their participation in the Scheme.

9.6 Stamp duty

No stamp duty should be payable by a McGrath Shareholders in respect of a disposal of their McGrath Shares under the Scheme.

The issue of Rollco Shares should have no stamp duty implications as the maximum percentage of shares being issued is 35% of the issued capital of Rollco which is below the landholder acquisition threshold of 50% for private companies. However, each McGrath Shareholder should seek their own stamp duty advice to confirm the stamp duty implications.

Additional information

10 Additional information

10.1 Interests of McGrath Directors in McGrath Shares and McGrath Equity Incentives

(a) Interests in McGrath Shares

As at Last Practicable Date, the McGrath Directors have the following Relevant Interests in McGrath Shares:

McGrath Director	Number of McGrath Shares	Voting power in McGrath
Peter Lewis	136,662	0.1%
John McGrath	37,127,378	23.3%
Wayne Mo	26,080,941	16.4%
Juliana Nguyen	Nil	Nil
Shane Smollen	13,148,148	8.3%

McGrath Directors who hold McGrath Shares, or entities who hold McGrath Shares on behalf of McGrath Directors, will be entitled to vote at the Scheme Meeting and, if the Scheme is implemented, will receive the Scheme Consideration for their McGrath Shares along with the other Scheme Shareholders.

Each McGrath Director intends to vote, or procure the voting of, any McGrath Shares held or controlled by them at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.

No McGrath Director acquired or disposed of a Relevant Interest in any McGrath Shares during the four months before the date of this Scheme Booklet, other than Wayne Mo who acquired a Relevant Interest in 26,080,941 McGrath Shares on 24 March 2024 as disclosed on ASX on 25 March 2024.

(b) Interests in McGrath Equity Incentives

As at Last Practicable Date, none of the McGrath Directors have a Relevant Interest in any McGrath Equity Incentives, and no McGrath Director acquired or disposed of a Relevant Interest in any McGrath Equity Incentives during the four months before the date of this Scheme Booklet.

10.2 McGrath equity incentive arrangements

(a) Overview of arrangements

As detailed in McGrath's annual report for the year ended 30 June 2023, McGrath operates a long-term incentive plan under which McGrath Equity Incentives are offered to certain senior executives (**McGrath Employee Share Plan**).

McGrath also operates an agent share plan under which McGrath Equity Incentives are offered to certain agents (**McGrath Agent Share Plan**).

Each McGrath Equity Incentive entitles the holder to receive one McGrath Share subject to the satisfaction of certain conditions.

As at Last Practicable Date, McGrath had on issue:

- 3,244,365 McGrath Equity Incentives under the McGrath Employee Share Plan, which are subject to performance and service conditions (**McGrath Long-Term Incentives**); and
- 2,399,712 McGrath Equity Incentives under the McGrath Agent Share Plan, which are subject to service conditions (**McGrath Agent Incentives**).

(b) Implications of the Scheme for the McGrath Equity Incentives

In accordance with the plan rules for the McGrath Equity Incentives and relevant terms of offers to the participants, the McGrath Board has taken into account various considerations, including McGrath's performance to date, and proposes that subject to the Scheme becoming effective:

- 1,351,025 McGrath Long-Term Incentives will vest;
- 1,072,764 McGrath Long-Term Incentives will lapse and the Bidder Group has committed to issuing incentive rights of equivalent value to the relevant holders;
- 820,576 McGrath Long-Term Incentives will lapse for nil consideration;
- 993,058 McGrath Agent Incentives will be cashed out; and
- 1,406,654 McGrath Agent Incentives will lapse for nil consideration.

In certain circumstances, the McGrath Board will have the discretion to vest up to an additional 135,103 McGrath Long-Term Incentives.

The McGrath Board has reserved the ability to determine the treatment of McGrath Equity Incentives as between individual employees and agents, provided that the treatment in aggregate does not exceed the above parameters.

1. McGrath Long-Term Incentives

In respect of the McGrath Long-Term Incentives that will vest, McGrath intends to allocate McGrath Shares to relevant holders by utilising 1,351,025 of the 2,171,601 unallocated McGrath Shares in McGrath's Employee Share Trust. This will enable the relevant holders to participate in the Scheme and receive the Scheme Consideration.

The cash proceeds from the sale of the remaining 820,576 unallocated McGrath Shares in McGrath's Employee Share Trust to the Bidder under the Scheme will be applied toward the payment of retention payments to certain McGrath employees in order to retain their services during the Scheme process, including the cash payment to Managing Director and Chief Executive Officer of McGrath, Mr John McGrath (see section 10.3(f)), and otherwise for the future benefit of McGrath employees as the trustee of McGrath's Employee Share Trust thinks fit.

In respect of the McGrath Long-Term Incentives that will lapse, Bidder Group has committed to issuing incentive rights of equivalent value to the relevant holders of 1,072,764 McGrath Long-Term Incentives pursuant to an equity incentive plan to be established by Bidder Group. No such commitment has been made by the Bidder Group in relation to the remaining 820,576 McGrath Long-Term Incentives that will lapse for nil consideration.

2. McGrath Agent Incentives

In respect of the McGrath Agent Incentives currently on issue, McGrath intends to settle on a pro-rata (to time) basis 993,058 of these by way of a cash payment with the remaining 1,406,654 McGrath Agent Incentives to lapse for nil consideration. The calculation is based on the proportion of the vesting period that will have passed at the time of implementation of the Scheme and the \$0.60 cash offer price under the Scheme. The maximum aggregate amount that is proposed to be payable by McGrath in connection with the McGrath Agent Incentives is \$595,835.

(c) Implications of the Scheme for the McGrath Short-Term Incentives

As detailed in McGrath's annual report for the year ended 30 June 2023, McGrath also operates a short-term incentive plan under which certain senior executives, including the Managing Director and Chief Executive Officer of McGrath, Mr John McGrath, are entitled to receive cash payments conditional on performance against a scorecard of financial and non-financial performance measures (**McGrath Short-Term Incentives**). Regardless of whether the Scheme is implemented, McGrath and Bidder have agreed that the McGrath Short-Term Incentives will continue to operate in accordance with their terms.

10.3 Other benefits and agreements

(a) Interests of McGrath Directors in Rollco Shares or Bidder Shares

No McGrath Director has a Relevant Interest in any Rollco Shares or Bidder Shares.

No McGrath Director has acquired or disposed of a Relevant Interest in any Rollco Shares or Bidder Shares during the four months before the date of this Scheme Booklet.

(b) Interests of McGrath Directors in contracts with Rollco and Bidder

No McGrath Director has any interest in any contract entered into by Rollco or Bidder, or any of its related bodies corporate.

(c) Benefits in connection with retirement from office

There is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of McGrath (or any of its related bodies corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in McGrath (or any of its related bodies corporate) in connection with the Scheme.

(d) Deeds of indemnity, insurance and access

McGrath has entered into deeds of indemnity, insurance and access with the directors and officers of the McGrath Group, on customary terms (**D&O Deeds**). The D&O Deeds include terms that provide for each McGrath Group Member to indemnify each of its directors and officers against all liability arising as a result of such persons acting as a director or officer, to the extent permitted by law.

McGrath also pays a premium in respect of a directors and officers insurance policy for the benefit of the directors and officers of McGrath. The Scheme Implementation Deed permits McGrath to, prior to the Implementation Date, enter into arrangements to provide run-off insurance coverage for all current McGrath directors and officers for seven years from the retirement date of each director and officer. Under the Scheme Implementation Deed, Bidder must ensure that this directors' and officers' run-off insurance is maintained for this same seven year period.

As at Last Practicable Date, McGrath expects the premium for entry into such run-off arrangements will be \$445,212.50 (excluding GST and stamp duty).

(e) Benefits from Rollco or Bidder

No McGrath Director has agreed to receive, or is entitled to receive, any benefit from Rollco or Bidder (or any of their related bodies corporate), which is conditional on, or is related to, the Scheme.

(f) Agreements connected with or conditional on the Scheme

Other than as disclosed in this section 10.3, there are no agreements or arrangements made between any McGrath Director and any other person in connection with, or conditional on, the outcome of the Scheme.

Subject to implementation of the Scheme, Managing Director and Chief Executive Officer of McGrath, Mr John McGrath, may be entitled to receive a cash retention payment for the financial year ending 30 June 2024. The amount of such cash payment will depend on the final cash amount of the Permitted Dividend and therefore cannot be determined as at the date of this Scheme Booklet. Assuming the final cash amount of the Permitted Dividend was \$0.02 per McGrath Share and the full contingent cash payment was payable, this would amount to a cash payment of \$250,000. The McGrath Board considers that, despite this arrangement, it is appropriate for Mr McGrath to make a recommendation on the Scheme, given his role in the operation and management of the McGrath Group. Mr McGrath also considers that it is appropriate for him to make a recommendation in relation to the Scheme.

Mr Peter Lewis, Mr Wayne Mo and Ms Juliana Nguyen will each receive a fee from McGrath in recognition of the special services provided by them in connection with the Scheme. This fee is estimated to be \$4,000 each per month for the period from 1 February 2024 until the Implementation Date, and could vary depending on the level of special services provided during that period.

Mr Shane Smollen provides strategic and transactional advice services under a consulting agreement for which he has been paid \$156,000 per annum. It is anticipated that should the Scheme be implemented, this consultancy would not continue.

10.4 Scheme Implementation Deed

(a) Introduction

On 24 March 2024, McGrath, Bidder, KFA and Bayleys entered into the Scheme Implementation Deed, which governs the conduct of the Scheme.

A summary of the key terms of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was released to ASX on 25 March 2024 and can be obtained from www.asx.com.au.

(b) Exclusivity

The Scheme Implementation Deed contains certain customary exclusivity arrangements in favour of Bidder. These arrangements are summarised below:

- **No shop:** McGrath must not solicit, invite, encourage or initiate any expression of interest, proposal or discussion in relation to, or which would reasonably be expected to lead to the making of, an actual, proposed or potential Competing Proposal or communicate an intention to do the same;
- **No talk:** subject to a fiduciary exception, McGrath must not enter into any agreement or arrangement regarding a Competing Proposal or participate in any negotiations or discussions which relate to, or may reasonably be expected to encourage or lead to, a Competing Proposal or communicate an intention to do the same;
- **No due diligence:** subject to a fiduciary exception, McGrath must not make available any material non-public information about any member of the McGrath Group, or any of their businesses, assets or operations, in connection with or with a view to obtaining or which could reasonably be expected to lead to a Competing Proposal;

- **Notification:** McGrath must notify Bidder within 2 Business Days if it becomes aware of any expression of interest, discussion or proposal in relation to a Competing Proposal or any request for material non-public information about any member of the McGrath Group or any of their businesses, assets or operations other than where the McGrath Board believes, on reasonable grounds, that such a request is not in connection with a Competing Proposal; and
- **Matching right:** McGrath is prohibited from entering into an agreement to give effect to any Competing Proposal and must use its best endeavours to ensure that none of the McGrath Directors withdraw their recommendation in relation to the Scheme or publicly recommend a Competing Proposal, unless the McGrath Board determines that the Competing Proposal would be a Superior Proposal, McGrath has provided Bidder with the material terms and conditions of the Competing Proposal (including price and identity of the party making the Competing Proposal), McGrath has given Bidder at least five clear Business Days after the date of the provision of that information to provide a matching or superior proposal to the terms of the Competing Proposal and Bidder has not announced a matching or superior proposal by that date.

These exclusivity provisions end on the earlier of the date of termination of the Scheme Implementation Deed, the End Date and the Implementation Date (**Exclusivity Period**).

If a condition precedent to the Scheme was not satisfied and could not be waived, for example if the Scheme was not approved by the Requisite Majorities at the Scheme Meeting or by the Court, McGrath and Bidder would each have the right to terminate the Scheme Implementation Deed if, after a short period of good faith consultation, McGrath and Bidder did not agree an alternative means of implementing the Transaction. If McGrath considered it to be in the best interests of McGrath Shareholders to do so, McGrath would exercise that termination right, which would bring the Exclusivity Period to an end.

These exclusivity arrangements are set out in full in clause 13 of the Scheme Implementation Deed.

(c) McGrath Board recommendation

McGrath must use its best endeavours to procure that the McGrath Directors do not adversely change, withdraw, adversely modify or adversely qualify, or make a public statement that is consistent with, their recommendation in relation to the Scheme unless:

- the Independent Expert concludes that the Scheme is not fair and reasonable to, or not in the best interests of, McGrath Shareholders
- the McGrath Board determines (after the 'Matching right' procedure described in the sub-section above has been complied with) that McGrath has received a Superior Proposal;
- the adverse change, withdrawal, adverse modification or qualification occurs because of a requirement by a court, ASIC or the Takeovers Panel that a McGrath Director abstains or withdraw from making a recommendation; or
- the McGrath Board determines that, by virtue of their directors' duties, they are required to change, withdraw or modify their recommendation.

(d) Break fee payable by McGrath

McGrath has agreed to pay a break fee of \$955,065 to Bidder in certain circumstances. These circumstances are:

- Bidder terminates the Scheme Implementation Deed as a result of any McGrath Director failing to recommend the Scheme, withdrawing or adversely changing, adversely modifying or adversely qualifying their recommendation or voting intention in relation to the Scheme, or making a public statement that they support, endorse or recommend a Competing Proposal or no longer support the Scheme or recommend the Transaction, except as a result of:
 - the Independent Expert concluding that the Scheme is not fair and reasonable to, or in the best interests of, McGrath Shareholders (other than because of a Competing Proposal);
 - the failure to recommend, or the adverse change, withdrawal, adverse modification or adverse qualification of a recommendation occurring because of a requirement by a court, ASIC or the Takeovers Panel that the relevant McGrath Directors abstain or withdraw from making a recommendation; or
 - McGrath being entitled to terminate the Scheme Implementation Deed as a result of Bidder being in material breach of the Scheme Implementation Deed (including a material breach of warranty) or a condition precedent of the Scheme being unable to be satisfied or waived, and has given the appropriate termination notice to Bidder;
- a Competing Proposal is announced during the Exclusivity Period and completes within 9 months; or
- Bidder terminates the Scheme Implementation Deed as a result of an unremedied material breach by McGrath of the Scheme Implementation Deed (including a material breach of warranty) that is material in the context of the Scheme as a whole and the Transaction does not complete.

The break fee arrangements are set out in full in clause 15 of the Scheme Implementation Deed.

(e) Expense reimbursement amount payable by Bidder

Bidder has agreed to pay an expense reimbursement amount of \$955,065 to McGrath where McGrath terminates the Scheme Implementation Deed as a result of an unremedied material breach of the Scheme Implementation Deed by Bidder that is material in the context of the Scheme taken as a whole, or any McGrath Director adversely changing or withdrawing their recommendation as permitted under clause 8.9 of the Scheme Implementation Deed, and the Transaction does not complete.

The arrangements relating to the expense reimbursement amount are set out in full in clause 16 of the Scheme Implementation Deed.

(f) Representations and warranties

The Scheme Implementation Deed contains customary representations and warranties given by each of McGrath and Bidder to each other.

These representations and warranties are set out in Schedule 3 (in the case of Bidder) and Schedule 4 (in the case of McGrath) of the Scheme Implementation Deed.

(g) Termination

Each of McGrath and Bidder may terminate the Scheme Implementation Deed if:

- the other is in material breach of the Scheme Implementation Deed (including a material breach of warranty) that is material in the context of the Scheme taken as a whole and is not remedied within a specified period;
- a condition precedent of the Scheme is not satisfied and cannot be waived, and McGrath and Bidder cannot agree (after a short period of good faith consultation) an alternative means of implementing the Transaction, as outlined in sub-section (b) above;
- the Scheme is not implemented by the End Date (currently expected to be 30 June 2024); or
- the Scheme is not agreed to by McGrath Shareholders at the Scheme Meeting.

Under the Scheme Implementation Deed, if there is a delay in the timetable for the Transaction resulting in the Implementation Date not occurring by 30 June 2024 and the Scheme Meeting not occurring by 11 July 2024, either Bidder (unless Bidder Group or the Consortium was the cause of the delay) or McGrath may extend the End Date from 30 June 2024 to 31 July 2024.

The termination rights are set out in clause 17 of the Scheme Implementation Deed.

10.5 Consents, disclosures and fees

(a) Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- Bidder in respect of the Bidder Information only; and
- Lonergan Edwards as the Independent Expert.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- Yatsen Associates as financial adviser to McGrath;
- Monash Advisory as financial adviser to McGrath;
- Herbert Smith Freehills as legal adviser to McGrath;
- KPMG Tax as tax adviser to McGrath;
- KPMG as external auditor of McGrath; and
- Link Market Services Limited as the McGrath Share Registry.

(b) Disclosures and responsibility

Each person named in section 10.5(a):

- has not authorised or caused the issue of this Scheme Booklet;
- 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:
 - Bidder in respect of the Bidder Information only; and
 - Lonergan Edwards in relation to its Independent Expert's Report; and
- 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 10.5(b).

(c) Fees

The fees set out in this section 10.5(c) only relate to fees paid or payable by McGrath in connection with the Transaction and the preparation of this Scheme Booklet. These fees are proposed to be paid by McGrath using its cash reserves.

If the Scheme is implemented, McGrath expects to pay an aggregate of approximately \$4 million (excluding GST) in transaction costs that relate to the Scheme. This includes:

- advisory fees (including for McGrath's financial, legal and tax advisers), the Independent Expert's fees, directors' and officers' run-off insurance premium (see section 10.3(d)), fees to certain McGrath Directors in recognition of the special services provided by them in connection with the Scheme (see section 10.3(f)), court fees, registry fees, printing and mailing costs and expenses associated with convening and holding the Scheme Meeting; and
- cash payments, in an aggregate amount not exceeding \$595,835, to settle the McGrath Agent Incentives (see section 10.2(b)).

If the Scheme is not implemented, McGrath expects to pay an aggregate of approximately \$1.9 million (excluding GST) in transaction costs, being costs that have already been incurred as at the date of this Scheme Booklet or will be incurred even if the Scheme is not implemented (but excluding any break fee that may be payable).

10.6 Regulatory relief

Paragraph 8302(h) of Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Cth) requires an explanatory statement to set out whether, within the knowledge of the McGrath Directors, the financial position of McGrath has materially changed since the date of the last balance sheet laid before McGrath Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2023. ASIC has granted McGrath relief from this requirement so that this Scheme Booklet only need set out whether, within the knowledge of the McGrath Directors, the financial position of McGrath has materially changed since 31 December 2023 (being the last date of the period to which the financial statements for the half-year ended 31 December 2023 relate).

10.7 No unacceptable circumstances

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

10.8 No other material information

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

- material to the making of a decision by a McGrath Shareholder whether or not to vote in favour of the Scheme; and
- known to any McGrath Director at the date of lodging this Scheme Booklet with ASIC for registration,

which has not previously been disclosed to McGrath Shareholders.

10.9 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. McGrath disclaims all liabilities to such persons who contravene these laws.

McGrath Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

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

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

A Scheme Shareholder whose address shown in the McGrath Share Register is a place outside Australia as at the Scheme Record Date will be an Ineligible Foreign Shareholder unless Bidder and McGrath agree otherwise in writing that it is lawful and not unduly onerous or impractical to issue Rollco Shares to that Scheme Shareholder under the Scheme.

If you are an Ineligible Foreign Shareholder and you elect to receive the Rollco Scrip Alternative, your election will be invalid and have no effect and you will receive the All-Cash Alternative for all of your McGrath Shares held on the Scheme Record Date.

10.10 Supplementary disclosure

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

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

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

- making an announcement to the ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting or otherwise making available the supplementary document to McGrath Shareholders; or
- posting a statement on McGrath's website at www.mcgrath.com.au,

as McGrath, in its absolute discretion, considers appropriate.

Glossary

11 Glossary

11.1 Definitions

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

Term	Meaning
All-Cash Alternative	\$0.60 cash per Scheme Share.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
ATO	the Australian Taxation Office.
Bayleys	Bayley Corporation Limited (NZCN 342183).
BCL	BCL Aus Holdings Limited (NZCN 8958610), being a wholly-owned subsidiary of Bayleys.
Bidder	RPAH Holdings Pty Ltd (ACN 676 034 101).
Bidder Board	the board of directors of Bidder.
Bidder Director	a member of Bidder Board.
Bidder Group	Bidder and each of its related bodies corporate, and a reference to a Bidder Group Member or a member of Bidder Group is to Bidder or any of its related bodies corporate.
Bidder Information	<p>the following information regarding Bidder Group, and the Merged Group, provided by Bidder to McGrath in writing for inclusion in this Scheme Booklet:</p> <ol style="list-style-type: none">the answers to the following questions in section 2:<ul style="list-style-type: none">“Who are the Consortium, Bidder and Rollco?”; and“What are Bidder’s intentions if the Scheme is implemented?”; andthe entire contents of sections 4.4(a), 4.5(b), 6, 7 and 8.4. <p>For the avoidance of doubt, the Bidder Information excludes the McGrath Information and the Independent Expert’s Report.</p>

Term	Meaning
Business Day	a day that is not a Saturday, Sunday, public holiday or bank holiday in Sydney, Australia.
Competing Proposal	<p>any proposal, offer, expression of interest, agreement, arrangement or transaction (whether existing before, on or after 24 March 2024), which, if entered into or completed substantially in accordance with its terms, would result in a person other than a Bidder Group Member (either alone or together with any associate(s)):</p> <ol style="list-style-type: none"> 1 directly or indirectly acquiring or having the right to acquire (i) a Relevant Interest or voting power in, or (ii) a legal, beneficial or economic interest (including by way of an equity swap, contract for difference of similar transaction or arrangement) in, or (iii) control of, 20% or more of the McGrath Shares or the securities in any McGrath Group Member; 2 acquiring Control (as determined in accordance with section 50AA of the Corporations Act, but disregarding sub-section 50AA(4)) of McGrath; 3 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 of McGrath's business or assets or the business or assets of the McGrath Group; 4 otherwise directly or indirectly acquiring or merging with McGrath; or 5 require McGrath to abandon, or otherwise fail to proceed with, the Transaction, <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, recapitalisation, refinancing or other transaction or arrangement.</p> <p>For the avoidance of doubt, each successive material modification or variation of any proposal, agreement, arrangement or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.</p>
Consortium	the consortium comprising KFA and BCL and, unless the context requires otherwise, includes Bidder.
Consortium Member	a member of the Consortium and, unless the context requires otherwise, includes Bidder.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth), as modified or varied by ASIC.
Court	the Supreme Court of New South Wales or such other court agreed to in writing by Bidder and McGrath.

Term	Meaning
Deed Poll	a deed poll in the form of Annexure 3 under which Bidder and Rollco each covenants in favour of the Scheme Shareholders to perform the obligations attributed to Bidder and Rollco under the Scheme.
Determination Date	<ol style="list-style-type: none"> 31 May 2024 or, if extended in accordance with the terms of the Scheme Implementation Deed, 30 June 2024; or such other date as is agreed by McGrath and Bidder.
Disclosure Materials	<ol style="list-style-type: none"> the documents and information contained in the data room made available by McGrath to Bidder and its related persons, the index of which has been initialled by, or on behalf of, the parties for identification; written responses from McGrath and its related persons to requests for further information made by Bidder and its related persons, the index of which has been initialled by, or on behalf of, the parties for identification; and the disclosure letter identified as such provided by McGrath to Bidder and countersigned by Bidder prior to entry into the Scheme Implementation Deed.
Effective Date	the date on which the Scheme becomes effective, currently expected to be 17 June 2024.
Election	a valid election that a Scheme Shareholder makes in accordance with the Scheme to receive the All-Cash Alternative or the Rollco Scrip Alternative, or a combination of both (as applicable).
Election Deadline	the latest time and date for submitting an Election online or receipt of an Election Form in order to make an Election in accordance with the terms of the Scheme, being 7.00pm (Sydney time) on Monday, 3 June 2024 or such other time and date as McGrath and Bidder agree in writing.
Election Form	the form by which a Scheme Shareholder (other than an Ineligible Foreign Shareholder) can make an Election.
Eligible McGrath Shareholder	a Scheme Shareholder (other than an Ineligible Foreign Shareholder).
End Date	<ol style="list-style-type: none"> 30 June 2024 or, if extended in accordance with the terms of the Scheme Implementation Deed, 31 July 2024; or such other date as agreed in writing by McGrath and Bidder.
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is

Term	Meaning
	heard, or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian (including ASIC and the Takeovers Panel).
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Act	the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
GST Law	has the same meaning as in the GST Act.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as McGrath and Bidder agree in writing or is ordered by the Court or required by ASX, currently expected to be 27 June 2024.
Independent Expert	Lonergan Edwards, the independent expert in respect of the Scheme appointed by McGrath.
Independent Expert's Report	the report issued by the Independent Expert in connection with the Scheme, as set out in Annexure 1.
Ineligible Foreign Shareholder	a Scheme Shareholder whose address as shown in the McGrath Share Register (as at the Scheme Record Date) is in a place outside Australia, unless McGrath and Bidder agree in writing that it is lawful and not unduly onerous or impracticable to issue Rollco Shares to that Scheme Shareholder on the Implementation Date if the Scheme Shareholder so elects under the Scheme.
Insolvency Event	<p>in relation to an entity:</p> <ol style="list-style-type: none"> 1 the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity (other than where the order is set aside within 14 days); 2 a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets; 3 the entity executing a deed of company arrangement;

Term	Meaning
	<p>4 the entity ceases, or threatens to cease to, carry on substantially all the business conducted by it as at 24 March 2024;</p> <p>5 the entity is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation); or</p> <p>6 the entity being deregistered as a company or otherwise dissolved.</p>
KFA	Knight Frank Australia Holdings Pty Ltd (ACN 114 923 938), being a wholly-owned subsidiary of Knight Frank LLP.
KPMG	KPMG Australia Pty Limited (ABN 47 008 644 728).
KPMG Tax	the Tax division of KPMG, as defined above.
Last Practicable Date	30 April 2024.
Listing Rules	the official listing rules of the ASX.
Lonergan Edwards	Lonergan Edwards & Associates Limited.
Maximum Rollco Scrip Alternative Threshold	the number of Scheme Shares which represents 35% of total Scheme Shares or such other number of Scheme Shares agreed between McGrath and Bidder in writing.
McGrath	McGrath Limited (ACN 608 153 779).
McGrath Agent Incentives	has the meaning given in section 10.2(a).
McGrath Agent Share Plan	has the meaning given in section 10.2(a).
McGrath Board	the board of directors of McGrath.
McGrath Director	a member of the McGrath Board.
McGrath Employee Share Plan	has the meaning given in section 10.2(a).

Term	Meaning
McGrath Equity Incentives	the rights issued to certain executives and agents of McGrath under the McGrath Employee Share Plan or McGrath Agent Share Plan.
McGrath Group	McGrath and each of its subsidiaries, and a reference to a McGrath Group Member or a member of the McGrath Group is to McGrath or any of its subsidiaries.
McGrath Information	the information contained in this Scheme Booklet, other than: <ol style="list-style-type: none"> 1 the Bidder Information; and 2 the Independent Expert's Report.
McGrath Long-Term Incentives	has the meaning given in section 10.2(a).
McGrath Material Adverse Change	<p>either:</p> <ol style="list-style-type: none"> 1 franchisees that together represent 15% of the aggregate franchise fees of the McGrath Group in the 12 months ending 31 December 2023 terminating, purporting to terminate or giving notice to the McGrath Group of their intention to terminate or not to renew their applicable franchise agreement on or after 24 March 2024; or 2 an event, change, condition, matter, circumstance or thing occurring (i) on or after 24 March 2024; or (ii) before 24 March 2024 but which only becomes known to Bidder or McGrath, or is only announced or publicly disclosed, after 24 March 2024 (each a Specified Event) which, whether individually or when aggregated with all events, changes, conditions, matters, circumstances or things of a like kind that have occurred (each, a Similar Specified Event), has had or would be reasonably likely to will have a material adverse effect on the business, assets, liabilities, financial position or profitability of the McGrath Group taken as a whole; <p>other than those events, changes, conditions, matters, circumstances or things:</p> <ol style="list-style-type: none"> 3 fairly disclosed in: <ul style="list-style-type: none"> • the Disclosure Materials; • an announcement made by McGrath to ASX prior to 24 March 2024; • a publicly available document lodged by McGrath or a McGrath Group Member with ASIC (which would be disclosed in a search of ASIC's records) prior to 24 March 2024; or • a publicly available document which would be disclosed in a search of the register established under the <i>Personal Property Securities Act 2009</i> (Cth) in relation to McGrath or a subsidiary of McGrath on 21 March 2024, or the public records maintained by the High Court, the Federal Court, the Federal Circuit Court, or the Supreme Courts in each Australian State and Territory in relation to McGrath or a subsidiary of McGrath as agreed between McGrath and Bidder in writing as at 24 March 2024, had each such search been conducted on 12 March 2024;

Term**Meaning**

- 4 within the actual knowledge of Bidder as at 24 March 2024;
- 5 required by, or as a result of any change in, any applicable law, regulation, accounting standards or accepted accounting principles or order or policy of a Government Agency, applicable to Australian businesses generally;
- 6 arising from changes in economic or business conditions (including changes to interest rates, exchange rates or financial markets);
- 7 arising from any act of terrorism, outbreak or escalation of war (whether or not declared), major hostilities, civil unrest, act of god, lightning, storm, flood, fire, earthquake or explosion, cyclone, tidal wave, other natural disaster or adverse weather conditions, or outbreak or escalation of any disease epidemic or pandemic (including the outbreak, escalation or any impact of, the Coronavirus or COVID-19 pandemic); or
- 8 relating to costs and expenses incurred by McGrath associated with the Scheme process or Transaction.

For the purposes of determining whether a McGrath Material Adverse Change has occurred, the parties must take into account any right to insurance, contribution or indemnification available to a McGrath Group Member.

McGrath Prescribed Occurrence

other than as:

- 1 required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either;
 - 2 fairly disclosed in:
 - the Disclosure Materials;
 - an announcement made by McGrath to ASX prior to 24 March 2024;
 - a publicly available document lodged by McGrath or a McGrath Group Member with ASIC (which would be disclosed in a search of ASIC records) prior to 24 March 2024; or
 - 3 agreed to in writing by Bidder; or
- the occurrence of any of the following:
- 4 McGrath converting all or any of its shares into a larger or smaller number of shares;
 - 5 a member of the McGrath Group resolving to reduce its share capital in any way;
 - 6 a member of the McGrath Group:
 - entering into a buy-back agreement; or
 - resolving to approve the terms of a buy-back agreement under the Corporations Act;
 - 7 a member of the McGrath Group issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than:
 - to a directly or indirectly wholly-owned subsidiary of McGrath; or
 - the issue of shares upon a conversion or vesting of the McGrath Long-Term Incentives;

Term	Meaning
	<p>8 a member of the McGrath Group issuing or agreeing to issue securities convertible into shares;</p> <p>9 a member of the McGrath Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;</p> <p>10 a member of the McGrath Group granting a security interest, or agreeing to grant a security interest, in the whole, or a substantial part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due; or</p> <p>11 an Insolvency Event occurs in relation to a member of the McGrath Group.</p>
<p>McGrath Regulated Event</p>	<p>other than as:</p> <p>1 required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either;</p> <p>2 fairly disclosed in:</p> <ul style="list-style-type: none"> • the Disclosure Materials; or • an announcement made by McGrath to ASX prior to 24 March 2024; or • a publicly available document lodged by McGrath or a McGrath Group Member with ASIC (which would be disclosed in a search of ASIC records) prior to 24 March 2024; <p>3 agreed to in writing by Bidder; or</p> <p>the occurrence of any of the following:</p> <p>4 a McGrath Group Member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares (other than to meet or settle obligations in respect of McGrath Long-Term Incentives);</p> <p>5 other than the Permitted Dividend, McGrath announcing, making, declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members (whether in cash or in specie);</p> <p>6 a member of the McGrath Group making any change to its constitution;</p> <p>7 a member of the McGrath Group:</p> <ul style="list-style-type: none"> • acquiring or disposing of; or • agreeing to acquire or dispose of, <p>any business, assets, entity or undertaking, other than in the ordinary course of business;</p> <p>8 a member of the McGrath Group entering into a contract or commitment restraining a member of the McGrath Group from competing with any person or conducting activities in any market;</p> <p>9 a member of the McGrath Group:</p> <ul style="list-style-type: none"> • entering into any contract or commitment (including in respect of financial indebtedness) requiring payments by the McGrath Group in excess of \$250,000 (individually or other than in the ordinary course of business in aggregate) other than any payment required by law;

Term

Meaning

- without limiting the foregoing, agreeing to incur or incurring capital expenditure of more than \$250,000 (individually or other than in the ordinary course of business in aggregate);
 - waiving any material third party default where the financial impact on the McGrath Group will be in excess of \$250,000 (individually or other than in the ordinary course of business in aggregate); or
 - accepting as a compromise of a matter less than the full compensation due to a member of the McGrath Group where the financial impact of the compromise on the McGrath Group is more than \$250,000 (individually or other than in the ordinary course of business in aggregate);
- 10 a member of the McGrath Group entering into any agreement, arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, other than in respect of the McGrath Long-Term Incentives;
- 11 a member of the McGrath Group entering into, or resolving to enter into, a transaction with any related party of McGrath (other than a related party which is a member of the McGrath Group), as defined in section 228 of the Corporations Act;
- 12 a member of the McGrath Group (i) entering into a new employment, consulting, severance or similar agreement or arrangement or (ii) materially altering, varying or amending any employment, consulting, severance or similar agreement or arrangement with one or more of its officers, directors, other executives or employees, or accelerating or otherwise materially increasing compensation or benefits for any of the above, in each case other than pursuant to:
- contractual arrangements in effect on 24 March 2024 and which are contained in the Disclosure Materials; or
 - McGrath's policies and guidelines in effect on 24 March 2024 and which are contained in the Disclosure Materials,
- provided that the total compensation and benefits offered under to a person under a new agreement or arrangement under (i) is no greater than \$250,000, and that the aggregate of all increases in compensation or benefits to a person under (ii) is no greater than \$75,000 per person;
- 13 a member of the McGrath Group paying any of its officers, directors, other executives or employees a termination or retention payment, other than in accordance with contractual arrangements in effect on 24 March 2024 and which are contained in the Disclosure Materials;
- 14 a member of the McGrath Group entering into any enterprise bargaining agreement other than in the ordinary course of business or pursuant to contractual arrangements in effect on 24 March 2024 and which are contained in the Disclosure Materials;
- 15 a member of the McGrath Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards;
- 16 a member of the McGrath Group doing anything that would result in a change in the McGrath consolidated tax group; or
- 17 notice of any material investigation, prosecution, arbitration, litigation or dispute threatened against a member of the McGrath Group which could reasonably be expected to give rise to a liability for the McGrath Group in excess of \$250,000 (**Material Proceedings**) and for the avoidance of

Term	Meaning
	<p>doubt which is not frivolous or vexatious, or circumstances arising which could reasonably be expected to give rise to any Material Proceedings. For the avoidance of doubt, Material Proceedings do not include any liability relating to an investigation, prosecution, arbitration, litigation or dispute to the extent that an insurer has agreed to cover the liability under an insurance policy maintained by a member of the McGrath Group.</p>
McGrath Share	a fully paid ordinary share in the capital of McGrath.
McGrath Share Register	the register of members of McGrath maintained in accordance with the Corporations Act.
McGrath Share Registry	Link Market Services Limited (ABN 54 083 214 537).
McGrath Shareholder	each person who is registered as the holder of a McGrath Share in the McGrath Share Register.
McGrath Short-Term Incentives	has the meaning given in section 10.2(c).
Minimum Rollco Scrip Alternative Threshold	the number of Scheme Shares which represents 22% of total Scheme Shares or such other number of Scheme Shares agreed between McGrath and Bidder in writing.
Net Cash Reserves	cash and cash equivalents, comprising cash at bank and short term deposits (in each case held by a financial institution in the name of, and on behalf of, a McGrath Group Member) with an original maturity of nine months or less, subject to any adjustment under the Scheme Implementation Deed (as described in section 4.3(b)).
NZCN	New Zealand Company Number.
Permitted Dividend	a dividend which is permitted to be paid in accordance with clause 6.7 of the Scheme Implementation Deed.
Permitted Dividend Payment Date	the date of payment of the Permitted Dividend (if any), as determined by the McGrath Directors in their sole discretion, currently expected to be Wednesday, 19 June 2024.
Permitted Dividend Record Date	the record date for the Permitted Dividend (if any), as determined by the McGrath Directors in their sole discretion, currently expected to be 7.00pm (Sydney time) on Wednesday, 12 June 2024.

Term	Meaning
Related Person	in respect of a party or its related bodies corporate, each director, officer, employee, adviser, agent or representative of that party or Related Body Corporate.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Requisite Majorities	in relation to the Scheme Resolution, a resolution passed by: <ol style="list-style-type: none"> 1 unless the Court orders otherwise, a majority in number (more than 50%) of McGrath Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate McGrath Shareholders, body corporate representative); and 2 at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by McGrath Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate McGrath Shareholders, body corporate representative).
Rollco	RPAA Investments Limited (ACN 676 033 346).
Rollco Board	the board of directors of Rollco.
Rollco Constitution	the constitution of Rollco, as set out in Annexure 6.
Rollco Scrip Alternative	one fully paid ordinary share in Rollco for each Scheme Share in respect of which a valid Election is made in accordance with this Scheme, subject to the Scaleback Arrangements and the other conditions in this Scheme.
Rollco Shareholders' Deed	the executed copy of the shareholders' deed dated 4 April 2024 in relation to Rollco entered into by the shareholders of Rollco, as set out in Annexure 4.
Rollco Shares	fully paid ordinary shares in Rollco (each having the rights set out in the Rollco Constitution and the Rollco Shareholders' Deed) to be issued to Scheme Shareholders who make a valid Election to receive the Rollco Scrip Alternative under the Scheme and Rollco Share means any such share.
Scaleback Arrangements	the scaleback arrangements set out in clause 5.5 of the Scheme.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between McGrath and the Scheme Shareholders, the form of which is attached as Annexure 2, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and McGrath.

Term	Meaning
Scheme Booklet	this document being the explanatory statement in respect of the Scheme, which has been prepared by McGrath in accordance with section 412 of the Corporations Act.
Scheme Consideration	the consideration to be provided by Bidder to each Scheme Shareholder for the transfer to Bidder of each Scheme Share, being for each McGrath Share held by a Scheme Shareholder as at the Scheme Record Date: <ol style="list-style-type: none"> 1 the All-Cash Alternative; or 2 the Rollco Scrip Alternative, subject to the terms of the Scheme.
Scheme Implementation Deed	the Scheme Implementation Deed dated 24 March 2024 between McGrath, Bidder, KFA and Bayleys, a copy of which was released to the ASX on 25 March 2024.
Scheme Meeting	the meeting of McGrath Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	7.00pm (Sydney time) on Thursday, 20 June 2024 or such other time and date as McGrath and Bidder agree in writing.
Scheme Resolution	the resolution to the terms of the Scheme, as set out in the Notice of Scheme Meeting in Annexure 7.
Scheme Shareholder	a holder of McGrath Shares recorded in the McGrath Share Register as at the Scheme Record Date.
Scheme Shares	all McGrath Shares held by the Scheme Shareholders as at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme is heard, currently expected to be Friday, 14 June 2024, or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

Term	Meaning
Superior Proposal	<p>a bona fide, written Competing Proposal:</p> <ol style="list-style-type: none"> 1 of the kind referred to in any of paragraphs 2, 3 or 4 of the definition of Competing Proposal; and 2 not resulting from a breach by McGrath of any of its obligations under clause 13 of the Scheme Implementation Deed, <p>that the McGrath Board, acting in the best interests of McGrath Shareholders and in good faith, and in order to satisfy what the McGrath Board considers to be the McGrath Directors' statutory or fiduciary duties (after receiving written legal advice from its reputable external Australian legal advisers specialising in the area of corporate law and written financial advice from its financial adviser), determines:</p> <ol style="list-style-type: none"> 3 is reasonably capable of being valued and completed in a reasonable timeframe in accordance with its terms, taking into account all terms, conditions and other aspects of the Competing Proposal, including, but not limited to: <ul style="list-style-type: none"> • the identity, reputation and financial condition of the party making the Competing Proposal; • the ability of the party making the Competing Proposal to consummate the transactions contemplated by the Competing Proposal; and • relevant legal, financial, regulatory and other matters; and 4 would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to McGrath Shareholders (as a whole) than the Transaction (and, if applicable, than the Transaction as amended or varied following application of the matching right set out in clause 13.5 of the Scheme Implementation Deed), <p>in each case taking into account all terms and conditions and other aspects of:</p> <ol style="list-style-type: none"> 5 the Competing Proposal (including the value and type of consideration, funding, any timing considerations, any conditions precedent, the identity, reputation and financial condition of the proponent, the ability of the proponent to complete the transactions contemplated by the Competing Proposal and the probability of the Competing Proposal being completed compared to the Transaction and relevant legal, financial, regulatory and other matters (including whether the break fee is payable); and 6 the Transaction (including the matters described in paragraph (5) above in respect of the Transaction).
Transaction	<p>the acquisition of the Scheme Shares by Bidder through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed.</p>
VWAP	<p>volume weighted average price.</p>

11.2 Interpretation

In this Scheme Booklet, unless expressly stated or the context otherwise appears:

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

Annexure 1
Independent Expert's Report

The Directors
McGrath Limited
Suite 2.02, Level 2
19 Harris Street
Pyrmont NSW 2009

16 April 2024

Subject: Proposed acquisition of McGrath Limited by way of a scheme of arrangement

Dear Directors

Introduction

- 1 On 25 March 2024, McGrath Limited (McGrath or the Company) announced that it and RPAA Holdings Pty Ltd (the Bidder), an entity indirectly owned equally by Knight Frank Australia Holdings Pty Ltd (Knight Frank Australia) and BCL Aus Holdings Limited¹ (Bayleys) (together the Consortium) had signed a Scheme Implementation Deed (SID) under which the Bidder would acquire all of the issued shares in McGrath for an offer consideration of \$0.60 cash per share². An unlisted scrip consideration alternative or a combination of cash and unlisted scrip consideration is also available to certain eligible McGrath shareholders, subject to rounding and scaleback mechanisms.
- 2 The proposed acquisition of the McGrath shares is to be implemented via a scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (Corporations Act) (the Scheme) and will require the approval of McGrath shareholders and the Court before it can proceed (as well as the satisfaction, or waiver of a number of conditions precedent which are summarised in Section I of our report).
- 3 If the Scheme is approved and implemented, McGrath shareholders³ may elect to receive the scheme consideration as either:
 - (a) **All-Cash Alternative** – a cash amount of \$0.60 for each McGrath share held on the Scheme Record Date⁴. The All-Cash Alternative is the default consideration⁵ option under the Scheme

¹ A subsidiary of Bayley Corporation Limited (Bayleys Corp), a company domiciled in New Zealand (NZ).

² Plus a Permitted Dividend, as described in paragraph 4.

³ Other than shareholders who reside outside Australia (Ineligible Foreign Shareholders) except in certain circumstances at McGrath and the Bidder's discretion.

⁴ The Scheme Record Date is presently expected to be 7:00pm on the third business day after the Scheme becomes effective, or such other time and date as the parties agree in writing.

⁵ In the event of no election being made or an invalid election being made.

Authorised Representatives:

Hung Chu • Martin Hall • Grant Kepler* • Julie Planinic* • Jorge Resende • Nathan Toscan • Wayne Lonergan • Craig Edwards

(b) **Scrip Consideration Options:**

- (i) **RollCo Scrip Alternative** – 1 fully paid ordinary share in RPA Investments Limited (RollCo), an unlisted newly incorporated Australian entity⁶, for each McGrath share held on the Scheme Record Date, subject to any scrip scaleback
- (ii) **Combination of Both** – fully paid ordinary shares in RollCo in exchange for a proportion of their McGrath shares held on the Scheme Record Date (subject to any scrip scaleback) and \$0.60 per share in cash for each remaining McGrath share

(collectively the Scheme Consideration).

- 4 Under the SID, the Company is entitled to pay a fully franked dividend (Permitted Dividend) prior to the implementation of the Scheme, subject to the McGrath Board declaring the dividend in its discretion and having regard to a number of other factors, including whether McGrath has received a draft class ruling from the Australian Taxation Office (or their indicative confirmation). The cash amount of the Permitted Dividend will be determined based on McGrath's cash and cash equivalents as at 31 May 2024 (based on the expected timetable) (Net Cash Reserves), provided that McGrath's Net Cash Reserves at that time is not below \$23 million after deducting the Permitted Dividend and adding back any transaction costs which have been paid (including GST) and adjusting for overall transaction costs to the extent these are above or below \$4 million (excluding GST)⁷. The Scheme Consideration will not be reduced by the cash amount of the Permitted Dividend.
- 5 The Scrip Consideration Options are only available for Australian resident shareholders and are subject to a scaleback mechanism to ensure that the total number of ordinary shares in RollCo issued to McGrath shareholders does not exceed the Maximum RollCo Scrip Alternative Threshold of 35% of the McGrath shares on issue (Scrip Scaleback)⁸. If this were to occur, then elections would be scaled back on a pro rata basis to the 35% maximum threshold, with McGrath shareholders receiving the All-Cash Alternative in lieu of scrip consideration in respect of the shares subject to the Scrip Scaleback. McGrath shareholders who elect to receive one of the Scrip Consideration Options will become parties to the RollCo Shareholders' Deed (the Deed).
- 6 Mr John McGrath has stated to McGrath that, subject to no superior proposal emerging and the independent expert concluding (and continuing to conclude) that the Scheme is fair and reasonable and in the best interests of McGrath shareholders, he will elect to receive the RollCo Scrip Alternative for all of the McGrath shares he owns or controls (being approximately 23.3% of the McGrath shares on issue). This also represents approximately 66.6% of the Maximum RollCo Scrip Alternative Threshold⁹.

⁶ RollCo will indirectly own 100% of the issued capital in McGrath through RollCo's 100% ownership of the Bidder.

⁷ As at 31 December 2023, McGrath had net cash of approximately \$26.4 million. McGrath also paid an interim dividend of \$0.03 per share on 12 March 2024 (equating to approximately \$4.8 million). The amount of the Permitted Dividend will depend on the performance and net cash flow generated by McGrath up to and including 31 May 2024 and the transaction costs incurred (or expected to be incurred), and is subject to the McGrath Board declaring the dividend in its discretion.

⁸ The Scrip Scaleback provisions will apply if in aggregate McGrath's shareholders elect to receive more than 35% of the Scheme Consideration as scrip consideration.

⁹ Noting that the shares held or controlled by Mr John McGrath are also subject to the Scrip Scaleback.

McGrath

- 7 McGrath is an Australian Securities Exchange (ASX) listed integrated residential real estate services provider with offices on the east coast of Australia. The Company provides residential property services through a network of company-owned and franchise offices that undertake both residential sales and property management activities. McGrath also provides a range of other ancillary real estate services such as auction and training services, and has minority interests in a mortgage broking business and an insurance technology services business.

Knight Frank LLC

- 8 Founded in 1896, Knight Frank LLC is a world leading independent real estate consultancy with 604 offices across 58 territories and more than 25,000 staff globally. Knight Frank LLC has stated that as the world's largest privately owned property consultancy, it has the distinct advantage of taking a long term approach to investing and client relationships. Knight Frank LLC has stated that it has significant global expertise in residential sales and unparalleled access to global and ultra-high net worth individuals. Knight Frank LLC is the owner of Knight Frank Australia, which has 31 metropolitan and regional offices providing commercial and residential property transaction and advisory services.

Bayleys Corp

- 9 Bayleys Corp has stated that it is NZ's largest full-service privately held real estate agency with a presence throughout NZ and the South Pacific, offering a comprehensive array of property-related services and sector specific expertise. Bayleys Corp states that it is the market leader in high-end residential sales across NZ. As well as having expertise in residential sales, property management and valuations, Bayleys Corp has indicated it is also the national market leader in rural and commercial property sales and leasing and has significant expertise in real estate franchise development and management. Bayleys Corp indicates that it has been an associate of Knight Frank LLC in NZ since 2018.

Purpose of report

- 10 There is no legislative (or regulatory) requirement for McGrath to obtain an independent expert's report (IER), however, the Scheme is subject to a number of conditions precedent, including an independent expert concluding, and continuing to conclude, that the Scheme is fair and reasonable and in the best interests of McGrath shareholders. The McGrath Directors' recommendation of the Scheme is (inter alia) also subject to the same condition.
- 11 In addition, as the Scheme is considered a change of control transaction, the Australian Securities & Investments Commission's (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) requires any appointed independent expert to provide an opinion on whether the Scheme is "fair and reasonable" (as well as the inclusion of a statement as to whether the scheme is "in the best interests" of shareholders).
- 12 Accordingly, the Directors of McGrath have requested Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of McGrath shareholders and the reasons for that opinion. LEA is independent of McGrath, Knight Frank Australia and Bayleys and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 13 In our opinion, the Scheme is fair and reasonable (based on the All-Cash Alternative, refer to paragraph 21) and in the best interests of McGrath shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Value of McGrath

- 14 We have assessed the value of McGrath shares on a 100% controlling interest basis at \$0.55 to \$0.63 per share, as shown below:

McGrath – valuation summary			
	Paragraph	Low \$m	High \$m
Enterprise value of Company Owned Sales	162	15.0	17.5
Enterprise value of Franchise Services	162	85.0	90.0
Enterprise value of Company Owned Property Management	173	35.7	40.2
Enterprise value of Other Segment	177(b)	2.0	2.3
Unallocated corporate costs	180	(82.2)	(82.2)
Enterprise value		55.5	67.8
Investment in Oxygen	183	1.6	2.0
Investment in McGrath Central Coast	185	6.5	6.5
Investment in Honey	187	8.1	8.1
Other liabilities (net)	188	(0.6)	(0.6)
Surplus cash	191	16.6	16.6
Cash settlement of McGrath Agent Incentives	193(d)	(0.6)	(0.6)
Equity value – controlling interest basis		87.0	99.8
Fully diluted shares on issue (million)	194	159.2	159.2
McGrath value per share – controlling interest basis (\$)		\$0.55	\$0.63

Value of Scheme Consideration

All-Cash Alternative

- 15 As stated above, the All-Cash Alternative is \$0.60 in cash per McGrath share.

Value of Scrip Consideration Options

- 16 As noted above, certain eligible McGrath shareholders can, in the alternative, also elect to receive one of the two Scrip Consideration Options, subject to the Scrip Scaleback. As set out in Section VI, we have assessed the underlying value of the Scrip Consideration Options in the immediate or short term post implementation of the Scheme at between \$0.53 and \$0.61 per McGrath share¹⁰. The midpoint value of the Scrip Consideration Options is therefore less than the All-Cash Alternative.
- 17 Further, this assessment of underlying value assumes the holder of RollCo scrip has 100% control of RollCo and an unfettered ability to transact in the equity securities. **It is important for shareholders considering taking up the Scrip Consideration Options to note that the underlying values do not incorporate any minority interest or lack of marketability / illiquidity discounts and accordingly, do not represent the values that may be realised if**

¹⁰ Refer to Section VI (paragraph 211) for further information.

they theoretically sought to dispose of the RollCo scrip in the immediate or short term post implementation of the Scheme (i.e. theoretical cash equivalent).

- 18 We have not quantified the size of these discounts as:
- (a) the midpoint value of the Scrip Consideration Options (even before applying any discount for minority interests and lack of marketability) is less than the All-Cash Alternative
 - (b) the actual position for each McGrath shareholder will vary and there is no certainty as to when or if a shareholder in RollCo could negotiate and complete a transaction
 - (c) McGrath shareholders who elect to receive the Scrip Consideration Options should only do so if they are prepared to co-invest with the Consortium in the medium-to-long term and until a future liquidity event occurs, and are prepared to accept the related voting and liquidity restrictions attaching to an investment in RollCo.
- 19 As an alternative, for the benefit of those McGrath shareholders considering an election to receive one of the Scrip Consideration Options, we set out in Section VI the range of discounts often applied in practice. McGrath shareholders should note that after allowing for these discounts (for example, a minority interest discount in the range of 20% to 25% is often applied), the realisable value of the Scrip Consideration Options immediately post implementation of the Scheme is likely to be materially less than our valuation of the Scrip Consideration Options, and as noted above, at the midpoint this is less than both the All-Cash Alternative and our valuation of McGrath shares.
- 20 For the purpose of our report we have therefore assumed that McGrath shareholders (other than Mr John McGrath and those McGrath shareholders who, based on their own assessment¹¹, choose to retain an interest in the McGrath business notwithstanding the above disadvantages) will elect the All-Cash Alternative rather than either of the Scrip Consideration Options.

Conclusion on Scheme Consideration

- 21 **Having regard to the above, for the purposes of our report we have evaluated the Scheme by reference to the value of the All-Cash Alternative only.** We note that this approach is consistent with the McGrath Board's:
- (a) recommendation of the Scheme to McGrath shareholders, in the absence of a superior proposal and subject to the independent expert concluding that the Scheme is fair and reasonable and in the best interests of McGrath shareholders
 - (b) decision to make no recommendation in relation to whether McGrath shareholders should elect to receive any of the Scrip Consideration Options.

Assessment of "fairness"

- 22 Pursuant to RG 111 a scheme is "fair" if the value of the Scheme Consideration (being the All-Cash Alternative for the purposes of our assessment) is equal to or greater than the value

¹¹ McGrath shareholders who elect to accept either of the Scrip Consideration Options should form their own views as to value, their expectations about future economic and market conditions and their particular personal circumstances including their risk profile, liquidity preference, investment strategy, portfolio structure and tax position.

of the securities the subject of the Scheme. This comparison for McGrath shares is shown below:

Comparison of Scheme Consideration to value of McGrath			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Value of All-Cash Alternative	0.60	0.60	0.60
Value of McGrath on a 100% controlling interest basis	0.55	0.59	0.63
Extent to which the All-Cash Alternative exceeds (or is less than) the value of McGrath	0.05	0.01	(0.03)

- 23 As the All-Cash Alternative lies within our assessed valuation range for McGrath shares on a 100% controlling interest basis, in our opinion, the All-Cash Alternative is fair to McGrath shareholders when assessed in accordance with the guidelines set out in RG 111.
- 24 McGrath shareholders may also be entitled to receive the Permitted Dividend, subject to the level of Net Cash Reserves held by McGrath as at 31 May 2024. However, the amount of the Permitted Dividend will depend on the performance and net cash flow generated by McGrath up to and including 31 May 2024 and the transaction costs incurred (or expected to be incurred), and is subject to the McGrath Board declaring the dividend in its discretion.

Assessment of “reasonableness” and “in the best interests”

- 25 Pursuant to RG 111, a transaction is “reasonable” if it is “fair”. **As McGrath shareholders can elect to receive the All-Cash Alternative (which we have assessed as fair), in our opinion, the Scheme is also reasonable¹².**
- 26 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company.
- 27 Generally, in our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders. This is because if the All-Cash Alternative is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 28 We therefore consider that the Scheme (based on the All-Cash Alternative) is also in the best interests of McGrath shareholders in the absence of a superior proposal.

Assessment of advantages and disadvantages of the Scheme

- 29 We summarise below the likely advantages and disadvantages of the Scheme (being the All-Cash Alternative for the purposes of our assessment) for McGrath shareholders.

¹² Noting that a condition precedent of the Scheme is that McGrath shareholders holding at least 22% of the McGrath shares on issue make valid elections to receive RollCo scrip as consideration under the Scheme (Minimum RollCo Scrip Alternative Threshold). Given that Mr John McGrath (who holds 23.3% of the McGrath shares on issue) has indicated his intention to elect the RollCo Scrip Alternative, all other McGrath shareholders have the ability to receive the All-Cash Alternative.

Advantages

- 30 In our opinion, the Scheme has the following benefits for McGrath shareholders:
- (a) the All-Cash Alternative of \$0.60 per share is consistent with our assessed value range for McGrath shares on a 100% controlling interest basis
 - (b) the All-Cash Alternative represents a premium to the recent market prices of McGrath shares prior to the announcement of the Scheme on 22 March 2024
 - (c) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, McGrath shares are likely to trade at a significant discount to our valuation and the All-Cash Alternative due to the portfolio nature of individual shareholdings.

Disadvantages

- 31 McGrath shareholders who elect to receive the All-Cash Alternative should note that if the Scheme is implemented they will no longer hold an interest in McGrath. McGrath shareholders receiving the All-Cash Alternative option will therefore not participate in any future value created by the Company over and above that reflected in the All-Cash Alternative.
- 32 However, as our assessed value of McGrath shares is consistent the All-Cash Alternative, in our opinion, the present value of McGrath's future potential is reflected in the All-Cash Alternative.

Conclusion

- 33 Given the above analysis, we consider the advantages of the Scheme (based on the All-Cash Alternative) to outweigh the disadvantages. Accordingly, in our view, the acquisition of McGrath shares under the Scheme is fair and reasonable to and therefore in the best interests of McGrath shareholders in the absence of a superior proposal.

Other matters relevant to Scrip Consideration Options

- 34 Eligible McGrath shareholders who wish to retain an economic interest in McGrath's business operations and assets have an opportunity to do so (albeit on a diluted basis) by validly electing to receive the Scrip Consideration Options.
- 35 However, it is important for shareholders considering taking up the Scrip Consideration Options to note that an investment in RollCo is not the same as an investment in McGrath and will have different characteristics. In particular, we note the following:
- (a) Knight Frank Australia and Bayleys (i.e. the Majority Shareholders) will have a majority interest (not less than 65%) and therefore control of RollCo. The situation faced by shareholders in RollCo will fundamentally be no different to that faced by minority shareholders generally (and due to the size of the Majority Shareholders' controlling interest, arguably a less advantageous situation than currently faced by existing minority shareholders in McGrath). Minority interests are normally discounted relative to the pro rata value of a 100% controlling interest
 - (b) RollCo will be an unlisted entity with no public market for the trading of RollCo shares and the Deed will provide only limited liquidity mechanisms for minority shareholders in RollCo. Accordingly, there is no guarantee as to whether, or when, RollCo minority shareholders may be able to dispose of (either part or all of) their RollCo scrip (and at

what price). Illiquid investments are ordinarily subject to a discount to reflect their lack of marketability.

- 36 McGrath shareholders who elect to receive the Scrip Consideration Options should also be aware that:
- (a) as set out in Section VI, we have assessed the midpoint value of the Scrip Consideration Options as being less than the All-Cash Alternative (which is primarily due to McGrath's transaction costs to be incurred by RollCo)
 - (b) they are electing to retain a minority (and illiquid) economic interest in McGrath and thereby forgoing an immediate opportunity to receive an amount (i.e. All-Cash Alternative) that, in our opinion, is consistent with the value of a 100% controlling interest in McGrath
 - (c) they will retain an exposure to the ongoing risks and uncertainties associated with an investment in McGrath including (inter alia) those risks associated with the execution of its long-term strategy. In contrast, the All-Cash Alternative provides cash (value) certainty in this regard
 - (d) after the first anniversary of the implementation of the Scheme, the RollCo Board will have the power to require a shareholder in RollCo who holds shares which had, at the time of the implementation of the Scheme, an aggregate value of \$10,000¹³ or less to dispose of their shares in RollCo at a fair market value price determined by an independent valuer. That is, such shareholders may be forced to sell their shares in RollCo in any event after one year following the implementation of the Scheme.
- 37 The Scrip Consideration Options are only likely to be appropriate for sophisticated investors that are prepared to co-invest with the Majority Shareholders until a future liquidity event occurs and accept the related voting, dividend and liquidity restrictions attaching to their investment in RollCo. McGrath shareholders contemplating such an investment should seek independent professional advice.
- 38 LEA offers no recommendation in relation to the Scrip Consideration Options¹⁴.

General

- 39 This report contains general financial product advice only and has been prepared without taking into account the personal objectives, financial situations or needs of individual McGrath shareholders. Accordingly, before acting in relation to the Scheme, McGrath shareholders should have regard to their own objectives, financial situation and needs. McGrath shareholders should also read the Scheme Booklet that has been issued by McGrath in relation to the Scheme.
- 40 Furthermore, this report does not constitute advice or a recommendation (inferred or otherwise) as to whether McGrath shareholders should vote for, or against the Scheme. This is a matter for individual McGrath shareholders based upon their own views as to value, their expectations about future economic and market conditions and their particular personal

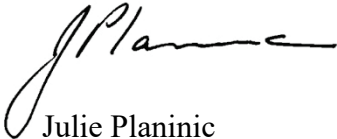
¹³ Equating to 16,667 shares in McGrath.

¹⁴ As stated above, this approach is consistent with the McGrath Board's decision to make no recommendation in relation to the Scrip Consideration Options.

circumstances including their risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If McGrath shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

- 41 For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that McGrath shareholders read the remainder of our report.

Yours faithfully



Julie Planinic
Authorised Representative



Jorge Resende
Authorised Representative

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I Key terms of the Scheme

Terms

42 An overview and key terms of the Scheme is set out at paragraphs 1 to 6.

Conditions

43 The Scheme is subject to the satisfaction, or waiver of a number of conditions precedent, including the following which are outlined in the SID:

- (a) approval of the Scheme by the Court in accordance with s411(4)(b) of the Corporations Act
- (b) McGrath shareholder approval by the requisite majorities at the Scheme meetings under the Corporations Act
- (c) no law, rule, regulation, temporary restraining order, temporary, preliminary or final order, injunction, decision or decree made or issued by any court of competent jurisdiction or other Government Agency, or other material legal restraint or prohibition which restrains, prohibits, impedes or otherwise materially adversely impacts upon the implementation of the Scheme (or could reasonably be expected to do so) is in effect at 8.00am on the Second Court Date
- (d) no “McGrath Prescribed Occurrence” (as defined in Schedule 2 of the SID) occurs on or before 8.00am on the Second Court Date
- (e) no “McGrath Material Adverse Change” (as defined in Schedule 2 of the SID) occurs on or before 8.00am on the Second Court Date
- (f) McGrath shareholders holding at least 22% of the McGrath shares on issue making valid elections to receive RollCo scrip as consideration under the Scheme (Minimum RollCo Scrip Alternative Threshold)
- (g) each of the Scheme Security Consideration Documents (as defined in Schedule 2 of the SID) is duly executed or adopted (as applicable) and no breach of those documents occurs on or before 8.00am on the Second Court Date
- (h) an independent expert issuing a report which concludes that the Scheme is fair and reasonable to and in the best interests of McGrath shareholders and not adversely changing its conclusion or withdrawing its report before 8.00am on the Second Court Date.

44 McGrath is also subject to the following customary exclusivity provisions¹⁵:

- (a) no shop
- (b) no talk
- (c) no due diligence by a third party
- (d) notification of any competing proposal and matching right.

¹⁵ Sourced from Clause 13 of the SID.

- 45 In the case of certain competing proposals, McGrath has the benefit of a fiduciary carve-out to the “no talk” and “no due diligence” restrictions, provided there are requirements to notify competing proposals (including the identity of another bidder) and matching right restrictions.
- 46 McGrath must also use best endeavours to procure that its Directors recommend that McGrath shareholders vote in favour of the Scheme and has warranted that its Directors (who in aggregate hold or control 48.1% of McGrath shares on issue) intend to vote in favour of the Scheme, in each case subject to:
- (a) no superior proposal emerging; and
 - (b) the independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of McGrath shareholders.
- 47 A break fee of \$955,065 is payable by McGrath to RollCo (and a reverse break fee¹⁶ of \$955,065 is payable by RollCo to McGrath) in certain circumstances as specified in the SID.

Resolution

- 48 McGrath shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the notice of meeting accompanying the Scheme Booklet.
- 49 Pursuant to the Corporations Act, the Scheme will be approved by McGrath shareholders if the resolution at the Scheme Meeting is passed by a majority in number (more than 50%) of the McGrath shareholders present and voting (in person or by proxy), and by 75% of the votes cast on the resolution at that meeting.
- 50 If the resolution is passed by the requisite majorities, McGrath must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all McGrath shareholders who hold McGrath shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

¹⁶ Named Expense Reimbursement Amount in the SID (see Clause 16).

II Scope of our report

Purpose

- 51 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Cth) (Corporations Regulations) prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 52 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 53 Knight Frank LLC and Bayleys Corp have no current shareholding in McGrath and have no representation on the McGrath Board. Accordingly, there is no legislative (or regulatory) requirement for McGrath to obtain an IER.
- 54 However, the Scheme is subject to a number of conditions precedent, including an independent expert concluding, and continuing to conclude, that the Scheme is fair and reasonable and in the best interests of McGrath shareholders. The McGrath Directors' recommendation of the Scheme is (inter alia) also subject to the same condition. In addition, as the Scheme is considered a change of control transaction, RG 111 requires any appointed independent expert to provide an opinion on whether the Scheme is fair and reasonable.
- 55 The Directors of McGrath have therefore appointed LEA to prepare an IER stating whether the proposed acquisition of the shares in McGrath by RollCo under the Scheme is fair and reasonable and in the best interests of McGrath shareholders and the reasons for that opinion. Our report will accompany the Scheme Booklet to be sent to McGrath shareholders.
- 56 It should be noted that this report contains general financial product advice only and has been prepared without taking into account the personal objectives, financial situations or needs of individual McGrath shareholders. Accordingly, before acting in relation to the Scheme, McGrath shareholders should have regard to their own objectives, financial situation and needs. McGrath shareholders should also read the Scheme Booklet that has been issued by McGrath in relation to the Scheme.
- 57 Furthermore, this report does not constitute advice or a recommendation (inferred or otherwise) as to whether McGrath shareholders should vote for, or against the Scheme. This is a matter for individual McGrath shareholders based upon their own views as to value, their expectations about future economic and market conditions and their particular personal circumstances including their risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If McGrath shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- 58 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111, which, inter alia, provides guidance as to how an expert should assess the merits of a transaction.
- 59 When an IER is prepared for a scheme that involves a change of control¹⁷ (like the proposed Scheme concerning McGrath), ASIC expects the form of the analysis undertaken by the expert to be substantially the same as for a takeover bid. That is, the expert is required to assess and provide an opinion on whether the scheme is “fair” and “reasonable” to the shareholders of the company which is the subject of the scheme (in addition to the inclusion of a statement as to whether the scheme is “in the best interests” of shareholders, being the opinion required under Part 3 of Schedule 8 of the Corporations Regulations).
- 60 **Fairness** involves the application of a strict quantitative test that compares the value of the consideration offered against the value of the shares that are the subject of the scheme, assuming 100% ownership of the target (i.e. on a 100% controlling interest basis¹⁸). A scheme is “fair” if the value of the scheme consideration is equal to, or greater than, the value of the shares that are the subject of the scheme. Fairness effectively measures whether shareholders (in the company the subject of the scheme) are being adequately compensated for the actual (or deemed) change of “control” in ownership.
- 61 **Reasonableness** involves the consideration of other significant quantitative and qualitative factors that shareholders might consider prior to accepting a proposal. A scheme is considered “reasonable” if it is “fair”. A scheme may also be considered “reasonable” if, despite being “not fair”, the expert believes there are sufficient reasons for shareholders to vote in favour of the scheme, in the absence of a superior proposal.
- 62 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company. Similarly, RG 111 notes that if an expert concludes that a scheme is “not fair and not reasonable”, then the expert would need to conclude that the scheme is “not in the best interests” of members of the company.
- 63 In our opinion, if the Scheme is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of McGrath shareholders. This is because, if the consideration payable pursuant to a transaction is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 64 Having regard to the above, our report has therefore considered:

Fairness

- (a) the market value of the shares in McGrath (on a 100% controlling interest basis)
- (b) the value of the Scheme Consideration

¹⁷ A transaction where a person’s voting power increases from below 20% to more than 20%, or from a starting point that is above 20% and below 90%.

¹⁸ Although the 100% controlling interest should reflect the synergy benefits that are available to the market as a whole (e.g. public company cost savings etc.) any special value that may be derived by a particular “bidder” should not be taken into account (e.g. synergies that are not available to other bidders).

- (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)

Reasonableness

- (d) the extent to which a control premium is being paid to McGrath shareholders
- (e) the extent to which McGrath shareholders are being paid a share of any synergies likely to be generated pursuant to the Scheme
- (f) the listed market price of McGrath shares, both prior to and subsequent to the announcement of the proposed Scheme
- (g) the likely market price of McGrath shares if the Scheme is not approved
- (h) the value of McGrath to an alternative offeror and the likelihood of a higher alternative offer being made for McGrath prior to the date of the Scheme meeting
- (i) other qualitative and strategic issues associated with the Scheme; and
- (j) the advantages and disadvantages of the Scheme from the perspective of McGrath shareholders.

Limitations and reliance on information

- 65 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 66 Our report is also based upon financial and other information provided by McGrath and its advisers¹⁹. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 67 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming our opinion on the Scheme. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 68 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.

¹⁹ This includes McGrath Board papers, discussions with, and information obtained from, senior management of McGrath and other confidential documents, presentations and internal workpapers.

- 69 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 70 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 71 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the SID and the terms of the Scheme itself.

III Profile of McGrath

Overview

72 McGrath Limited (McGrath or the Company) is an ASX listed integrated residential real estate services provider. The Company provides residential property services through a network of company-owned and franchise offices that undertake both residential sales and property management activities. McGrath also provides a range of other ancillary real estate services such as auction and training services, and has minority interests in a mortgage broking business and an insurance technology services business.

History

73 Founded in 1988 by Mr John McGrath, the Company originated as a residential real estate services provider that operated company owned offices primarily located within New South Wales (NSW). McGrath opened its first franchise office in 2006, and over time expanded its geographic presence, establishing offices in Queensland and the Australian Capital Territory in 2009 and 2010 respectively.

74 McGrath listed on the ASX in December 2015. At the time of listing, the Company entered into a share purchase agreement with a group of trusts and companies that operated McGrath's largest franchise network at the time (the Smollen Group), with 65 sales agents and 19 property management staff across 10 offices located in Sydney's North Shore, North West and Northern Beaches regions. McGrath paid upfront consideration comprising \$31.5 million in cash and \$18.4 million in shares, with a further \$14.9 million in deferred contingent consideration subject to Smollen Group achieving certain financial performance targets in the year ended 30 June 2016 (FY16) and FY17.

Overview of operations

75 McGrath operates from a Sydney head office and has almost 700 agents and around 36,000 properties under management (PUM)²⁰ across its network of company owned and franchise offices. The Company operates three key business segments, detailed as follows:

- (a) **Company Owned Sales** – undertakes residential property sales on behalf of property vendors through company owned offices and agents. The segment generates earnings by charging sales commissions on residential property sales. This commission is based on a percentage of the value of the property sold
- (b) **Company Owned Property Management** – directly manages residential properties on behalf of property owners. The segment generates earnings by charging a commission to manage a property, as well as leasing fees earned upon successful letting of a property
- (c) **Franchise Services** – manages franchise offices that undertake both property sales and property management activities. The segment receives fees from its franchisees that include:
 - (i) an ongoing franchise fee based on a fixed percentage of the total sales commission paid on the sale of a property (Gross Commission Income)

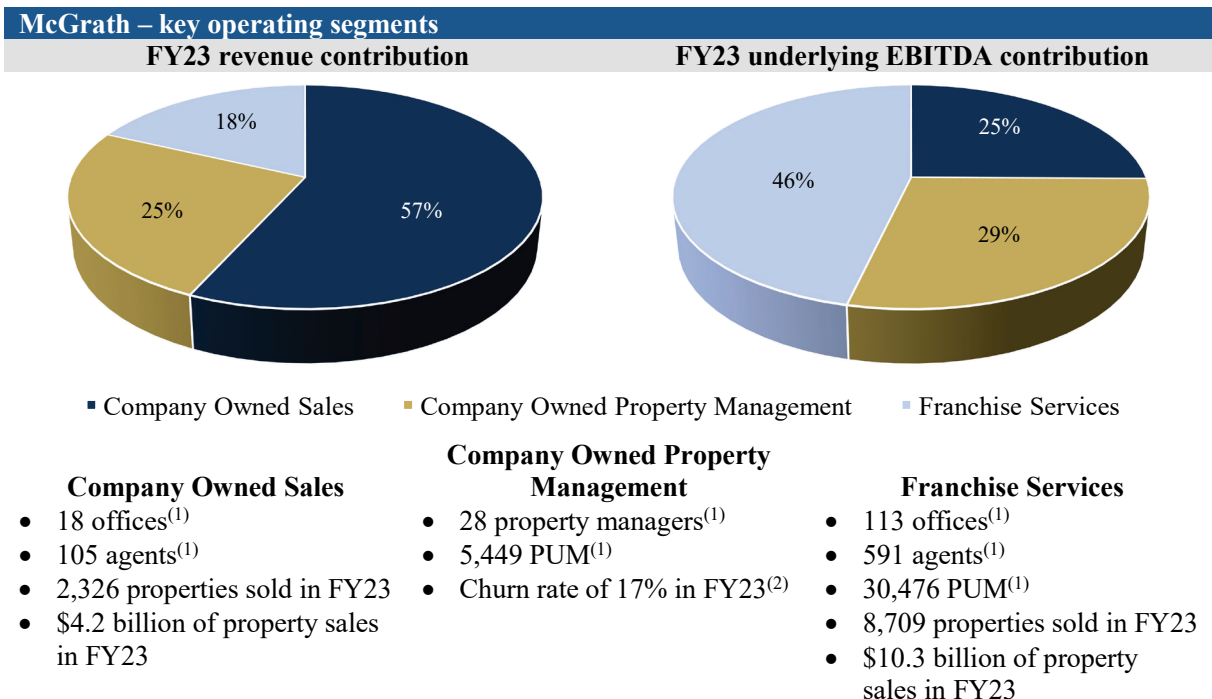
²⁰ As at 31 December 2023.

- (ii) an ongoing marketing fund contribution based on a fixed percentage of the Gross Commission Income generated by company owned and franchise offices, and
- (iii) a fixed percentage of the franchisees' property management fees.

76 Other Segments is the Company's other reporting segment, which incorporates services that complement McGrath's core service offering, including:

- (a) **auction services** – provides auctioneer and related services and generates earnings based on a fixed fee per auction. McGrath has majority ownership of this business
- (b) **training services** – McGrath's training business provides training services to its real estate agents. It also organises a number of Australian residential real estate conferences under the Total Real Estate Training brand and receives revenue from fees paid by attendees, exhibitors and sponsors
- (c) **marketing fund** – this is based on the contribution of a fixed percentage of the Gross Commission Income generated by company owned and franchise offices. McGrath's marketing fund is for the benefit of both franchise and company owned networks
- (d) **investments in associates** –
 - (i) a 44% interest Oxygen Capital Group Pty Limited (Oxygen). Further information regarding Oxygen is set out in paragraphs 81 and 82
 - (ii) a 30% interest in the McGrath Central Coast franchise (McGrath Central Coast). Further information regarding McGrath Central Coast is set out in paragraphs 83 and 84.

77 An overview of the revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) contribution, as well as statistics associated with McGrath's three key operating segments, is shown below:



Note:

- 1 As at 31 December 2023.
- 2 Being the number of PUM lost during FY23 divided by the number of PUM as at 1 July 2022. We understand this churn rate is broadly in line with benchmark industry churn rates.

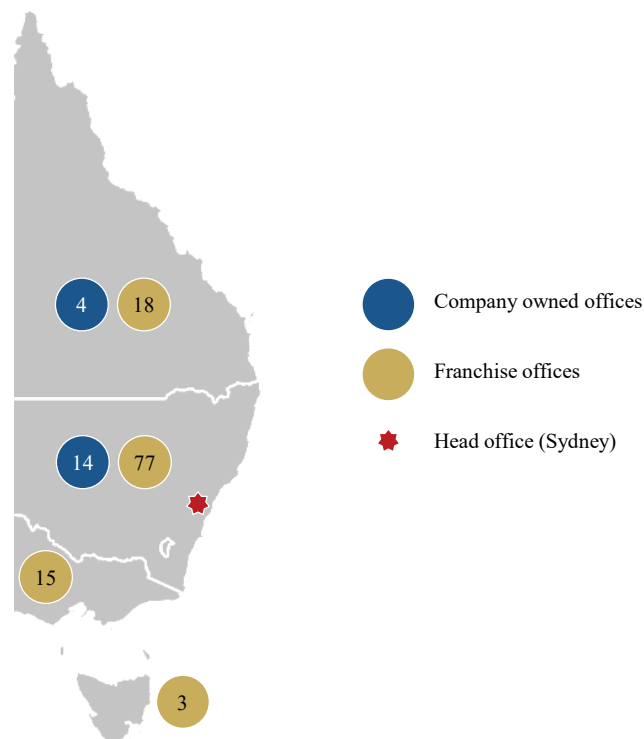
Source: McGrath FY23 Annual Report and McGrath management.

Network of offices

78 McGrath’s network is primarily focused across the eastern seaboard of Australia and comprised 113 franchise offices as well as 18 Company owned offices as at 31 December 2023, as shown below:

McGrath – office network

As at 31 December 2023



Note:

- 1 As disclosed in the half year ended 31 December 2023 (1H24) results, an additional 4 franchise offices have been added post 31 December 2023.

Source: McGrath 1H24 Interim Report.

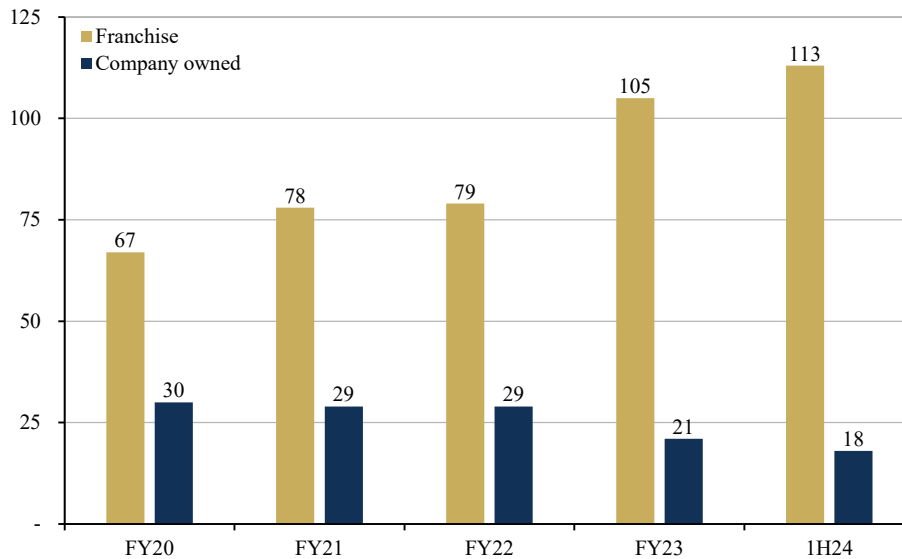
79 The Company’s franchise operations are primarily located in NSW, with a smaller presence across Victoria, Queensland and Tasmania. McGrath’s company owned network also primarily operates in NSW (with 14 offices), with a further four offices in Queensland.

Strategy

80 In August 2022, McGrath announced a change in its business model to predominantly focus on franchise operations. This is expected to provide a more reliable stream of annuity income from franchise fees charged to franchisees. The Company has since transitioned 10 company owned offices to franchise offices and added a number of new franchisees to its franchise network, as shown below:

McGrath – agency office numbers

Number of offices⁽¹⁾⁽²⁾



Note:

1 Numbers as at 30 June each financial year and 31 December 2023 for 1H24.

2 As disclosed in the 1H24 results, an additional 4 franchise offices have been added post 31 December 2023.

Source: McGrath financial results Investor Presentations.

Investments in associated and other financial assets

81 McGrath holds investments in Oxygen and McGrath Central Coast, which are reported as investments in associates, and a minority interest in Honey Insurance Pty Limited (Honey), which is reported under other financial assets. Further details of the operations of these businesses as well as the respective interests held by McGrath are provided below.

Oxygen

82 In December 2002, McGrath launched Oxygen, a mortgage broking business that was established to provide McGrath's clients with a wide range of mortgage products sourced from various providers. On 6 April 2021, an external investor injected \$2.5 million of cash into Oxygen and agreed to pay a deferred cash payment of \$1.8 million²¹ to McGrath in return for a 55% controlling interest in Oxygen. The \$2.5 million cash injection was to be utilised to grow resources, accelerate digitalisation and add complementary financial products to Oxygen's offering. As a result of the transaction, McGrath's interest in Oxygen was reduced to 45%, and consequently, the accounting treatment for the minority interest investment transitioned to the equity accounting method from FY22 onwards. During FY22 the Company's interest in Oxygen decreased to 44% as a result of additional equity being issued to a Director.

83 Oxygen now services a broad client base comprised of McGrath and non-McGrath general referrals and is involved in originating, broking and providing advice in relation to residential mortgages. The business generates revenue from up front and trailing commissions associated with home loans settled through the broker.

²¹ McGrath received \$1.5 million of the deferred cash consideration receivable in 1H23, with \$0.3 million remaining owing to the Company as at 31 December 2023.

McGrath Central Coast

- 84 On 4 October 2022, McGrath acquired a 30% interest in McGrath Central Coast. At the time of acquisition, McGrath Central Coast operated six offices with approximately 1,300 PUM across the Central Coast region in NSW, and a successful project marketing business. McGrath Central Coast has a strong sales team that has won numerous real estate awards.
- 85 The consideration for the acquisition was \$6.5 million, comprising 67% cash and 33% shares in McGrath, with a component of this consideration deferred and dependent on the EBITDA for the business versus an agreed benchmark historical performance. As at 31 March 2024, deferred consideration of \$0.9 million remained outstanding.

Honey

- 86 On 27 January 2022, McGrath invested \$6.5 million in Honey through a convertible note. In the event that Honey raised capital prior to the note's maturity date, McGrath would be able to convert its investment to Honey shares at a 20% discount to the market value prevailing at the time of the capital raising. This convertible note originally had a maturity date of 31 December 2023 and this date was extended to 29 February 2024 during 1H24. On 9 February 2024, Honey completed a capital raising and the convertible note converted to shares. Based on the value of this capital raising and the terms of the convertible note, the value of McGrath's investment in Honey increased to \$8.1 million.
- 87 Honey is headquartered in Sydney and was founded in 2020 as an insurance technology company that offers digital home and contents insurance services to homeowners, landlords and renters. Honey leverages smart technology to provide a more preventative²² and potentially lower-cost insurance option with fast coverage. The company is underwritten by RACQ Insurance Limited.

Financial performance

- 88 A summary of the financial performance of McGrath for the four years to FY23 and 1H24 is set out below:

McGrath – statement of financial performance ⁽¹⁾					
	FY20	FY21	FY22	FY23	1H24
	\$m	\$m	\$m	\$m	\$m
Revenue	91.6	122.4	112.4	82.5	40.2
Other income	-	-	-	0.9	0.5
Cost of sales	(37.8)	(52.1)	(44.8)	(32.8)	(14.2)
Gross profit	53.8	70.2	67.6	50.7	26.5
Share of profit from associates ⁽²⁾	-	0.0	0.1	0.6	0.4
Employee benefit expense	(28.4)	(29.9)	(27.5)	(24.5)	(11.6)
Other operating costs	(21.7)	(22.7)	(21.2)	(20.6)	(10.5)
Underlying EBITDA⁽³⁾⁽⁴⁾	3.7	17.7	19.1	6.1	4.8
Depreciation and amortisation ⁽⁴⁾	(3.8)	(3.6)	(3.6)	(3.3)	(1.4)
Underlying EBIT⁽⁴⁾⁽⁵⁾	(0.1)	14.1	15.5	2.8	3.4
Net finance income	0.1	0.2	0.3	0.6	0.5
Non-recurring items ⁽⁶⁾	1.8	6.8	0.3	4.4	5.0
Profit before tax	1.8	21.1	16.1	7.8	8.8
Income tax expense	(1.1)	(2.1)	(4.4)	(1.6)	(1.3)
Profit after tax	0.7	19.0	11.7	6.2	7.5

²² By the provision of smart home sensors as part of the policy.

McGrath – statement of financial performance ⁽¹⁾					
	FY20	FY21	FY22	FY23	1H24
	\$m	\$m	\$m	\$m	\$m
Revenue growth	10.8%	33.5%	(8.1%)	(26.6%)	(5.8%)
Underlying EBITDA growth	nm ⁽⁷⁾	376.8%	7.9%	(67.9%)	42.3%
Gross profit margin	58.7%	57.4%	60.2%	61.4%	65.8%
Underlying EBITDA margin	4.0%	14.4%	17.0%	7.4%	11.9%
Total properties sold – company owned (#)	3,158	4,209	3,772	2,326	1,095
Total properties sold – franchise (#)	7,202	10,250	10,172	8,709	5,714
PUM – company owned (#)	8,375	7,748	7,948	6,447	5,449

Note:

- 1 Rounding differences may exist.
- 2 Includes income derived from McGrath's investments in Oxygen and McGrath Central Coast.
- 3 Underlying EBITDA for FY23 and 1H24 has been presented on a consistent basis with prior years.
- 4 Underlying EBITDA and EBIT have been adjusted to remove the impact of lease accounting under Australian Accounting Standard AASB 16 – Leases (AASB 16). The adoption of AASB 16 results in an increase in EBITDA and EBIT as it replaces cash rent expenses with depreciation of the "right of use" assets as well as interest expense associated with lease liabilities (both of which are recognised below the EBITDA line, with interest recognised below the EBIT line). Accordingly, underlying EBITDA and EBIT include an adjustment for the cash rent expense that would otherwise have been reported but for the adoption of AASB 16.

5 Earnings before interest and tax (EBIT).

6 Non-recurring items include:

Government grant income	2.2	2.1	-	-	-
Gain on company owned assets	-	2.2	0.3	4.4	2.6
Gain on sale of 55% of Oxygen	-	3.1	-	-	-
FV adjustment of investments	-	-	-	-	1.9
Other non-recurring expenses	-	(0.1)	-	(0.5)	-
AASB 16 accounting adjustments	(0.3)	(0.5)	0.0	0.5	0.4
Total non-recurring items	1.8	6.8	0.3	4.4	5.0

7 nm – not meaningful.

Source: McGrath Annual Reports, Interim Reports, Investor Presentations and McGrath management.

89 In addition to the above, we set out below a summary of the key financial measures by operating segment for the above periods:

McGrath – underlying segment performance ⁽¹⁾					
	FY20	FY21	FY22	FY23	1H24
	\$m	\$m	\$m	\$m	\$m
Company Owned Sales	58.6	81.8	68.7	42.9	20.5
Company Owned Property Management	20.4	19.9	19.6	19.0	8.3
Franchise Services	7.7	13.4	16.2	13.6	8.7
Other Segment	4.9	7.3	8.0	7.0	2.8
Total revenue	91.6	122.4	112.4	82.5	40.2
Company Owned Sales	6.2	15.5	13.9	4.0	3.1
Company Owned Property Management	6.2	5.8	5.1	4.6	1.8
Franchise Services	3.5	8.1	9.3	7.4	4.9
Other Segment ⁽²⁾	0.7	1.9	1.5	1.3	0.8
Unallocated corporate costs ⁽²⁾	(12.9)	(13.7)	(10.8)	(11.2)	(5.9)
Underlying EBITDA⁽³⁾	3.7	17.7	19.1	6.1	4.8

McGrath – underlying segment performance⁽¹⁾

	FY20	FY21	FY22	FY23	1H24
	\$m	\$m	\$m	\$m	\$m
Underlying EBITDA margins:					
<i>Company Owned Sales (%)</i>	10.6%	18.9%	20.3%	9.4%	15.3%
<i>Company Owned Property Management (%)</i>	30.2%	29.2%	26.3%	24.0%	21.9%
<i>Franchise Services (%)</i>	45.0%	60.7%	57.4%	54.4%	57.2%

Note:

- 1 Rounding differences may exist.
- 2 Some costs that were previously reported in the Other Segment have been reassigned to unallocated corporate costs to ensure consistency between periods.
- 3 Underlying EBITDA for FY23 and 1H24 has been presented on a consistent basis with prior years.

Source: McGrath financial results Investor Presentations and McGrath management.

90 We note the following observations with regard to the above:

- (a) McGrath’s financial performance has varied significantly over the above period, which reflects the cyclicity and volatility exhibited by the residential real estate services industry generally (as discussed in further detail in Section IV)
- (b) the revenue and EBITDA for the Franchise Services business is less volatile than the Company Owned Sales segment
- (c) the underlying EBITDA margin for the Franchise Services segment is significantly higher than the EBITDA margin for the Company Owned Sales segment. In this regard we note that:
 - (i) the Franchise Services segment receives a royalty from the franchisee office for the use of the McGrath brand, associated systems, leadership, support and training
 - (ii) franchisee offices have to incur a number of additional costs that Franchise Services do not, including the franchise fees paid and the overhead costs (e.g. sales and administration employee costs, rent etc.) associated with operating the real estate offices. As a result the Franchise Services segment has a significantly lower cost base than the Company Owned Sales segment
- (d) the contribution from Franchise Services has increased as a proportion of total revenue and EBITDA over the period above, which reflects the Company’s change in business model towards this operating segment
- (e) there is an element of seasonality in the Company’s results, with higher levels of profitability typically derived in the first half of the financial year, which coincides with the spring selling season, which is usually the busiest time of the year for residential real estate agents.

91 Regarding the Company’s annual and most recent half year’s financial performance we note the following:

- (a) **FY20** – McGrath reported revenue growth of 10.8% and a return to positive underlying EBITDA (following an EBITDA loss in FY19), notwithstanding the effects of COVID-19, which significantly impacted the residential property industry in the final quarter of the financial year

- (b) **FY21** – revenue and underlying EBITDA increased significantly over the period, increasing by 33.5% and 376.8% respectively, driven by positive market sentiment due to a number of factors including higher levels of property transactions as work from home mandates led to more people moving house or upsizing their existing residence, price stability in McGrath’s key markets, and strong auction clearance rates. This resulted in a 38% increase in property sales per agent relative to FY20
- (c) **FY22** – the Company changed its reporting method in FY22 to reflect the impact of the new agent remuneration structure, which impacted revenue and costs of sales by the same amount (i.e. \$11.4 million), noting that this had no impact on profitability. As a result, whilst reported revenue decreased by 8.1% in FY22, underlying revenue (i.e. before the reporting method change) increased by 1.3%. Additionally, underlying EBITDA increased by 7.9% and as noted above, this was not impacted by the reporting method change. The financial year was a story of two halves, with the first half results benefiting from buoyant market conditions, while the second half was impacted by a range of external factors, including the Federal Government election and successive increases in the cash rate by the Reserve Bank of Australia (RBA) to counter higher inflation (which flowed on to mortgage rate rises and caused a slowing of the property market)
- (d) **FY23** – McGrath reported a material decrease in both revenue and underlying EBITDA, which declined by 26.6% and 67.9% respectively. This was primarily due to difficult market conditions that prevailed during the year, driven by the impact of 12 consecutive increases to interest rates on the residential real estate market and historically low levels of residential property listings. For instance, total market transaction volumes were approximately 20% lower than FY22, and 5% lower than the historical 10 year average, whilst average house prices declined by approximately 5% relative to the prior year
- (e) **1H24** – revenue declined by 5.8% relative to 1H23 due primarily to the transition towards franchise operations. However, underlying EBITDA increased by 42.3% in comparison to the prior period due to an increase in the number of franchise offices and the associated higher margin income, a modest recovery in transaction volumes and house prices.

Outlook

92 As a part of McGrath’s Half Year Results Media Release dated 19 February 2024, the Company stated the following:

“... Despite economic headwinds and global uncertainty, the property market appears stable and in most areas prices continue to trend upwards. Our growth moving forward will be driven by increased agent productivity and more offices joining the group which will deliver increasing market share.

We have seen good listing volumes to the start of the calendar year and we are in great shape to continue our momentum.”

Financial position

93 The financial position of McGrath as at 30 June 2022, 30 June 2023 and 31 December 2023 is set out below:

McGrath – statement of financial position⁽¹⁾

	30 Jun 22	30 Jun 23	31 Dec 23
	\$m	\$m	\$m
Debtors, prepayments and inventories	16.2	17.0	17.0
Creditors, accruals and provisions	(23.4)	(14.2)	(15.5)
Net working capital	(7.2)	2.8	1.5
Plant and equipment	3.3	1.5	3.9
Intangible assets	13.4	6.6	6.0
Investment in associates	1.8	8.0	8.0
Other financial assets	6.5	6.8	8.4
Deferred tax liabilities	(1.3)	(0.7)	(1.1)
Right of use assets (net of lease liabilities)	(2.9)	(2.2)	(2.1)
Assets held for sale (net of liabilities)	(0.2)	4.0	3.6
Other assets and liabilities (net)	(0.0)	(1.6)	0.0
Total funds employed	13.3	25.3	28.1
Cash and cash equivalents	34.7	27.1	26.3
Deferred consideration receivable ⁽²⁾	1.6	1.7	0.3
Deferred consideration payable ⁽³⁾	-	(1.9)	(0.9)
Net cash position	36.3	26.8	25.7
Net assets attributable to McGrath shareholders	49.6	52.1	53.8

Note:

- 1 Rounding differences may exist.
- 2 McGrath received \$1.5 million of the deferred cash consideration receivable in 1H23, with \$0.3 million remaining owing to the Company as at 31 December 2023.
- 3 As at 31 December 2023, McGrath had deferred consideration payable of \$0.9 million related to the Company's acquisition of the 30% interest in McGrath Central Coast. This payment is required to be made in October 2024.

Source: McGrath Annual Reports and Interim Reports.

Working capital

94 McGrath's net working capital position moved from negative to positive over recent periods, which is largely attributable to its shift in strategy to predominantly focus on franchise operations. This has meant that a proportion of the Company's previous working capital balances have essentially been passed on to the franchisees that acquired the offices that were previously Company owned.

Property, plant and equipment

95 McGrath's property, plant and equipment primarily comprises capitalised leasehold improvements associated with corporate offices, as shown below:

McGrath – property, plant and equipment⁽¹⁾

	30 Jun 22	30 Jun 23	31 Dec 23
	\$m	\$m	\$m
Plant and equipment	1.0	0.7	0.6
Leasehold improvements	2.3	0.9	3.3
Total property, plant and equipment	3.3	1.5	3.9

Note:

- 1 Rounding differences may exist.

- 96 During 1H24, McGrath moved to a new head office in Pyrmont, Sydney, and completed a substantial fit-out of the new space, resulting in an increase in leasehold improvements as at 31 December 2023 relative to 30 June 2023.
- 97 Property, plant and equipment is depreciated on a straight line basis over the useful life, which ranges from 2.5 to 10 years for plant and equipment, and is based on the lease term for leasehold improvements.

Intangible assets

- 98 McGrath holds intangible assets comprised of capitalised software costs associated with the Company's website and its technology platform, in addition to property management rights attached to rent rolls, as shown below:

McGrath – intangible assets			
	30 Jun 22	30 Jun 23	31 Dec 23
	\$m	\$m	\$m
Property management rights	11.9	4.6	3.9
Software	1.5	2.0	2.1
Total intangible assets	13.4	6.6	6.0

- 99 As a part of management's strategy to transition to a predominately franchise operation, McGrath has sold a number of Company owned offices that have included rent rolls in FY23 and 1H24, resulting in a decline in the reported property management right assets over these periods.
- 100 Property management rights and software assets are carried at cost less any accumulated amortisation and impairment. Property management rights are amortised on a straight line basis over their useful life, and software assets are amortised on a straight line basis over 2.5 to 5 years commencing from the implementation of the software.

Investment in associates

- 101 As stated above, investment in associates represents McGrath's 44% interest in Oxygen and its 30% shareholding in McGrath Central Coast, the carrying value of which are as follows:

McGrath – investment in associates			
	30 Jun 22	30 Jun 23	31 Dec 23
	\$m	\$m	\$m
Oxygen	1.8	1.3	1.4
McGrath Central Coast	-	6.7	6.6
Total investment in associates	1.8	8.0	8.0

- 102 Investments in associates are accounted for using the equity method and are initially recognised at fair value at the time acquisition. Subsequent to initial recognition, the carrying value of these assets are adjusted to reflect McGrath's share of the associate's profit (or loss) as well as dividends paid in each reporting period.
- 103 McGrath assesses evidence of impairment and if there is an indication that an investment is impaired, then the carrying amount of the investment is tested for impairment by comparing the recoverable value with the carrying value. McGrath tested its interest in Oxygen for

impairment during FY23, which resulted in an impairment charge of \$0.5 million against this investment.

Other financial assets

104 McGrath's other financial assets are primarily comprised of the Company's investment in Honey, as shown below:

McGrath – other financial assets	30 Jun 22	30 Jun 23	31 Dec 23
	\$m	\$m	\$m
Convertible note / shares – Honey	6.5	6.5	8.1
Equity instrument	-	0.3	0.3
Total investment in associate	6.5	6.8	8.4

105 As noted in paragraph 85 above, on 9 February 2024, Honey completed a capital raising, which triggered the conversion of the convertible note to shares. Consequently, McGrath management revised the fair value of the investment by reference to the recent Honey capital raising, which resulted in an increase in carrying value to \$8.1 million as at 31 December 2023.

106 The equity instrument (of \$0.3 million) relates to a minority interest investment in one of McGrath's franchisees that was entered into on a debt for equity swap basis. Whilst McGrath has not received any dividends to date on this investment, this franchisee has a rent roll asset that supports the carrying value.

Assets held for sale

107 Net assets held for sale relate to assets and rent rolls (and associated liabilities) associated with Company owned offices that are expected to be sold to franchisees within 12 months of the balance sheet date for each reporting period. As at 31 December 2023, these assets totaled \$3.6 million.

Share capital and performance

108 As at 31 March 2024, McGrath had 159.2 million fully paid ordinary shares on issue, of which 2.172 million McGrath shares are held by McGrath's Employee Share Trust to satisfy any potential shares to be allocated upon conversion of performance rights. In addition, the Company had:

- (a) 3.244 million performance rights issued to senior executives under McGrath's Employee Share Plan which are subject to performance and service conditions (McGrath Long-Term Incentives); and
- (b) 2.400 million rights issued under the McGrath Agent Share Plan, which are subject to service conditions (McGrath Agent Incentives).

109 The performance rights do not have any voting entitlements and are subject to various vesting conditions and expiry dates. The McGrath Board is able to make a determination that some, none or all of a participant's rights vest if the Company becomes subject to a change of control event (such as the Scheme).

Significant shareholders

110 As at 31 March 2024, there were three significant shareholders in McGrath, as follows:

McGrath – substantial shareholders⁽¹⁾		
	Shares held	
	million	% interest
John McGrath and Fondorru	37.1	23.3
AL Capital Holdings Pty Ltd	26.1	16.4
Shane Smollen and Maratea Holdings No 2 Pty Ltd ⁽²⁾	13.1	8.3
Total	76.4	48.0

Note:

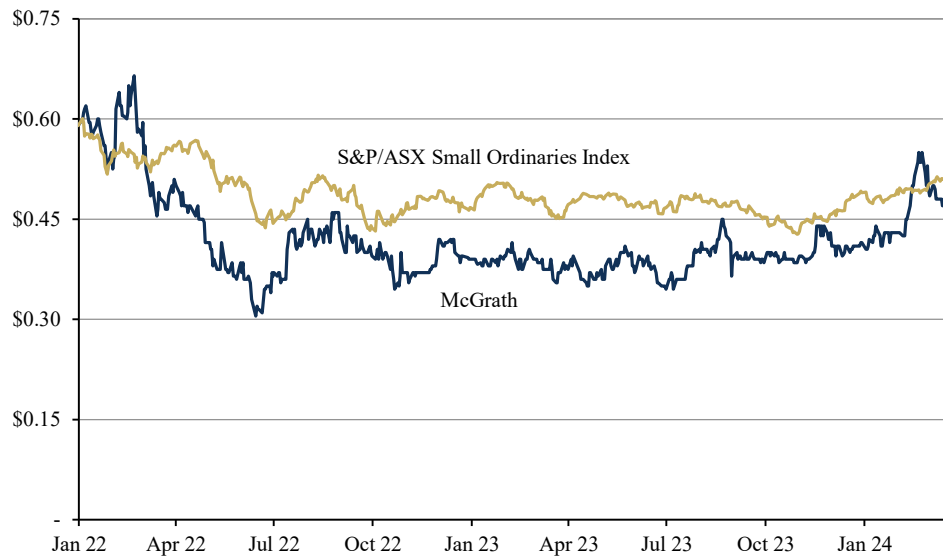
- 1 Rounding differences exist.
- 2 An entity related to Mr Shane Smollen.

Source: McGrath FY23 Annual Report and the Notice of change of interests of substantial holder detailing the change in AL Capital Holdings Pty Limited’s holding on 24 March 2024.

Share price performance

111 The following chart illustrates the movement in the share price of McGrath from 1 January 2022 to 22 March 2024²³:

McGrath – share price history⁽¹⁾
1 January 2022 to 22 March 2024



Note:

- 1 Based on closing prices. The S&P/ASX Small Ordinaries Index has been rebased to the McGrath’s last traded price on 1 January 2022, being \$0.59 per share.

Source: FactSet and LEA analysis.

112 The McGrath share price has generally underperformed the S&P/ASX 200 Small Ordinaries Index over the period shown above. This was initially driven by a sell off following the

²³ Being the last trading day prior to the announcement of the Scheme.

release of 1H23 results²⁴, which has been followed by a period of challenging market conditions in the broader Australian real estate services industry²⁵.

Liquidity in McGrath shares

113 The liquidity in McGrath shares based on trading on the ASX over the 12 month period prior to 22 March 2024²⁶ is set out below:

McGrath – liquidity in shares						
Period	Start date	End date	No. of shares	WANOS ⁽¹⁾	Implied level of liquidity	
			traded		Period ⁽²⁾	Annual ⁽³⁾
			000	000	%	%
1 month	23 Feb 24	22 Mar 24	2,041	159,178	1.3	15.4
3 months	23 Dec 23	22 Mar 24	6,884	159,178	4.3	17.3
6 months	23 Sep 23	22 Mar 24	11,790	159,178	7.4	14.8
1 year	23 Mar 23	22 Mar 24	30,722	159,922	19.2	19.2

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period. The number of shares has reduced over the above period due to the share buyback, which ceased on 31 August 2023.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

Source: FactSet and LEA analysis.

114 Trading in McGrath shares has exhibited relatively low liquidity (when calculated as a percentage of the total shares on issue) over the one, three, six and 12-month periods above. In our opinion, this is primarily due to the prevalence of a number of substantial shareholders, (i.e. Mr John McGrath and Fondorru, AL Capital Holdings Pty Ltd, and Mr Shane Smollen and Maratea Holdings No 2 Pty Ltd) which represented 48.1% of the McGrath shares on issue over the above period²⁷. We have therefore also considered the “free float” liquidity of McGrath (i.e. excluding the shares owned by these long term shareholders) over the 12-month period up to and including 22 March 2024²⁸, which is as follows:

McGrath – free float liquidity in shares (excluding long term shareholders)						
Period	Start date	End date	No. of shares	WANOS ⁽¹⁾	Implied level of liquidity	
			traded		Period ⁽²⁾	Annual ⁽³⁾
			000	000	%	%
1 month	23 Feb 24	22 Mar 24	2,041	82,526	2.5	29.7
3 months	23 Dec 23	22 Mar 24	6,884	82,526	8.3	33.4
6 months	23 Sep 23	22 Mar 24	11,790	82,526	14.3	28.6
1 year	23 Mar 23	22 Mar 24	30,722	83,271	36.9	36.9

²⁴ Whilst the result for 1H23 was toward the top end of previous guidance, McGrath management indicated that the earnings growth for 2H23 was likely to be below the level of growth achieved in 1H23.

²⁵ As noted in Section IV, the RBA implemented the fastest series of cash rate increases in its history from May 2022 to November 2023, resulting in a substantial decrease in mortgage affordability and a corresponding decrease in demand for real estate.

²⁶ Being the last trading day prior to the announcement of the Scheme.

²⁷ The number of shares held by these shareholders remained unchanged over this period.

²⁸ Being the last trading day prior to the announcement of the Scheme.

Note:

- 1 Excluding the shares held by Mr John McGrath and Fondorru, AL Capital Holdings Pty Ltd, and Mr Shane Smollen and Maratea Holdings No 2 Pty Ltd.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

Source: FactSet and LEA analysis.

- 115 Excluding the shares owned by the three long term shareholders²⁹ with unchanged shareholdings in McGrath over the year to the date of the announcement of the Scheme, the liquidity in McGrath shares is materially higher.

²⁹ Mr John McGrath and Fondorru, AL Capital Holdings Pty Ltd, and Mr Shane Smollen and Maratea Holdings No 2 Pty Ltd.

IV Industry overview

Overview

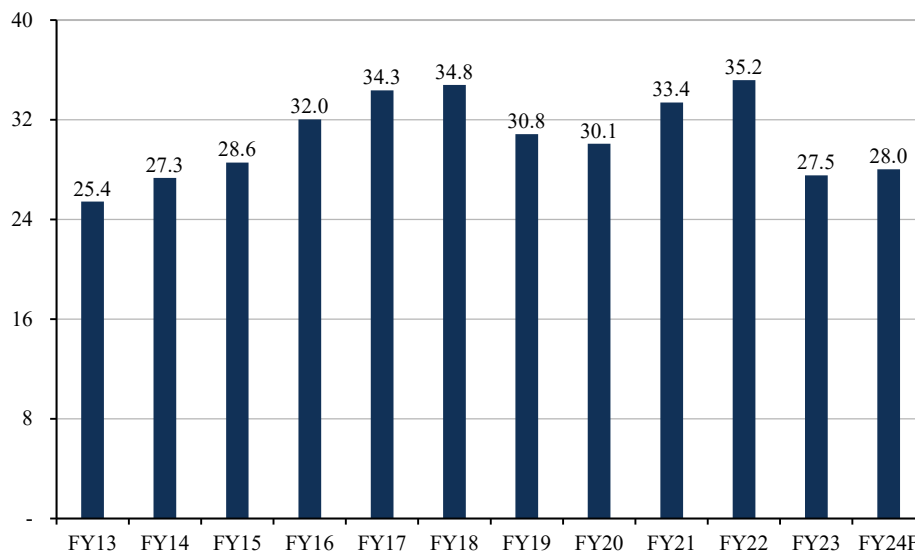
116 McGrath operates within the residential segment of the Australian real estate services industry, predominantly providing residential property sales and property management services, as well as other ancillary residential property services such as auctions and agent training. Accordingly, the following industry section sets out an overview of the real estate services industry in Australia.

Australian real estate services industry

117 Real estate services industry revenue has historically benefited from a prolonged period of relatively low interest rates and associated growth in real estate prices. This has led to, inter alia, higher commissions earned on property sales and higher leasing and rental commission charges. However, industry revenue tends to be cyclical and as a result can be volatile, as shown in the following chart:

Real estate services industry – revenue⁽¹⁾⁽²⁾

AS billion



Note:

1 Industry revenue includes property sales, leasing, management, valuations and fiduciary and escrow consulting.

2 Adjusted for inflation using the current year (i.e. FY23) as the base year to show “real” growth or decline in industry metrics.

Source: IBISWorld: *Real Estate Services in Australia* report, dated January 2024.

118 As shown above, industry revenue experienced a decline in both FY19 and FY20, before recovering strongly in FY21 and FY22 and declining again in FY23. This volatility was due to a number of factors, including:

- (a) **FY19** – a decline in real estate values and transaction numbers during 2018 and early 2019 that resulted in a 11.4% decrease in industry revenue during FY19. The residential real estate sector was also impacted by uncertainty surrounding changes to

the tax treatment (i.e. negative gearing) of residential properties proposed by the Labor Government leading up to the Federal Government election in May 2019³⁰

- (b) **FY20** – whilst property prices began to recover somewhat towards the end of 2019, the outbreak of COVID-19 in early 2020 impacted the confidence of property investors. For example, the commercial real estate sector was negatively impacted by companies instantly moving to work from home requirements, whilst residential property sales faced restrictions around open homes and on-site auctions. Overall, industry revenue declined by 2.5% in FY20
- (c) **FY21 and FY22** – industry activity rebounded strongly in FY21 and FY22, with industry turnover increasing by 11.1% and 5.3% respectively due to a number of factors including:
 - (i) increasing confidence in the Australian economy and its ability to rebound from the impact of COVID-19, in part due to the relatively high level of household savings built up during the COVID-19 lockdowns
 - (ii) higher levels of property transactions as COVID-19 related work from home mandates led to more people moving house or upsizing their existing residence
 - (iii) the RBA reducing the cash interest rate to record low levels (i.e. 0.1%) in November 2020. These “emergency” interest rate levels were maintained up to May 2022 and for a period of time made the cost of buying a house using debt financing cheaper than renting for many suburbs across Australia
 - (iv) the level of stimulus measures enacted by the Federal Government in response to COVID-19, including grants for first home buyers and allowing people to access a proportion of their superannuation (some of these funds were used to help purchase properties)
- (d) **FY23** – in response to rapidly rising inflation following the COVID-19 pandemic and Russia’s invasion of Ukraine, the RBA implemented the fastest series of cash rate increases in its history³¹, resulting in a substantial decrease in mortgage affordability and a corresponding decrease in demand for real estate. As a result, real estate transaction volumes decreased by 21.7% in FY23
- (e) **FY24** – with inflation cooling and the probability of further interest rate increases becoming less likely, the number of housing transactions began to recover in FY24, with industry revenue expected to increase by a modest 1.8% over the period.

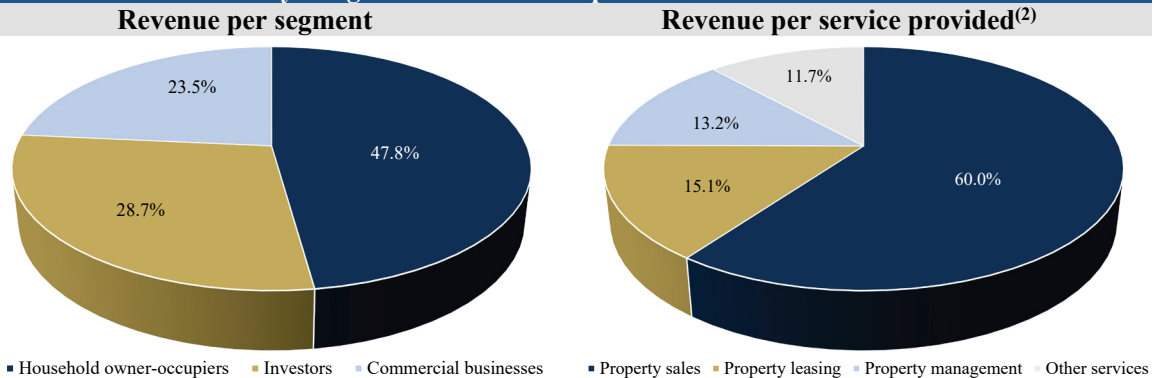
Industry segments and services provided

119 The real estate services industry provides property sales, leasing, management and other related services that can be categorised into three key segments, being household owner-occupiers, investors (in both residential and commercial property) and commercial businesses as shown below:

³⁰ The Labor Government was expected to win the 2019 Federal Government election, based on polling undertaken prior to this election.

³¹ The RBA introduced its first rate hike in May 2022, increasing the cash rate from 0.10% to 0.35%. Over the period to November 2023, the RBA announced 12 additional rate hikes, increasing the cash rate to 4.35%, where it has remained over the period since.

Real estate services industry – segments and services provided⁽¹⁾



Note:

1 Based on percentage of total estimated revenue for FY24.

2 Property sales includes the sales of residential, retail, industrial and commercial properties. The “Other services” category comprises revenue generated from property valuations, fiduciary and escrow consulting and other miscellaneous consulting services.

Source: IBISWorld: *Real Estate Services in Australia* report, dated January 2024.

- 120 Household owner occupiers are the largest contributor to industry revenue (47.8% of industry turnover), followed by investors (28.7% of industry turnover) and then commercial businesses (23.5% of industry turnover). Revenue from property sales (i.e. predominantly agent commissions) represent the majority of real estate services industry revenue. Given that agent commissions are based on a variable percentage of the final sale price of a property, movements in property prices are a key determinant of industry turnover.
- 121 The residential housing market in Australia has historically generated attractive returns whilst remaining relatively stable, resulting in increased investment from both domestic and international property investors. In addition, residential real estate is a significant contributor to Australian household wealth, with approximately \$9.8 trillion or 53.5% of total household assets in Australia represented by residential property as at 30 September 2023³².

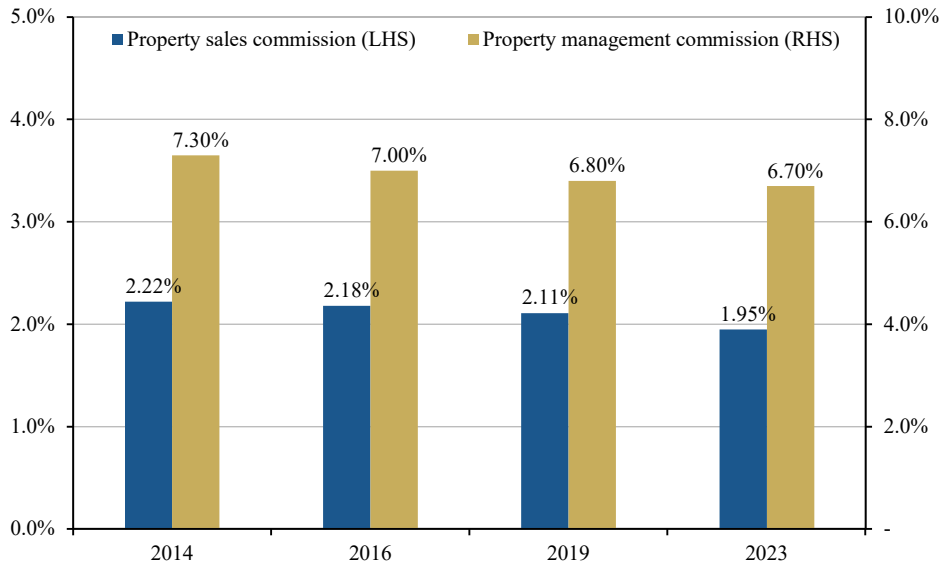
Residential real estate market

- 122 The residential real estate market is a segment of the broader real estate services industry, and is comprised of real estate agencies that predominantly focus on property sales and property management. As stated above, Australian residential real estate is valued at approximately \$10 trillion, which is \$2 trillion more than the combined value of Australia’s stock market, superannuation savings and commercial real estate markets.
- 123 In recent years, whilst property prices have generally increased, real estate agents have experienced commission compression on both property sales and property management, as shown below:

³² Source: Australian Bureau of Statistics (ABS): *6432.0 Total Value of Dwellings*, data release for the December 2023 quarter and *Australian National Accounts: Finance and Wealth*, data release for the September 2023 quarter.

Residential real estate market – average commissions charged⁽¹⁾

% of property sale price (sales) and rental income collected (management)



Note:

¹ Based upon a survey of market participants in each year.

Source: Macquarie Bank Limited: 2023 Real estate industry benchmarking report.

124 Whilst both property sales and property management commissions have declined over the above period:

- (a) the relative change in sales commissions was higher than property management commissions
- (b) property value increases have pushed up sales transaction values
- (c) increasing property rents have pushed up property management income.

125 In recent years the average number of properties managed per agency has increased from 508 in 2014 to 872 in 2023³³. Increasing levels of property management income have benefited residential property agencies due to the recurring nature of property management fee revenue³⁴. Additionally, agencies can cover a significant proportion of their fixed operating costs (up to 80%) from the cash flow provided by this rental income. The value of property management income to real estate agents is further enhanced by the ability to transact these revenue streams, commonly referred to as “rent rolls”, with other market participants.

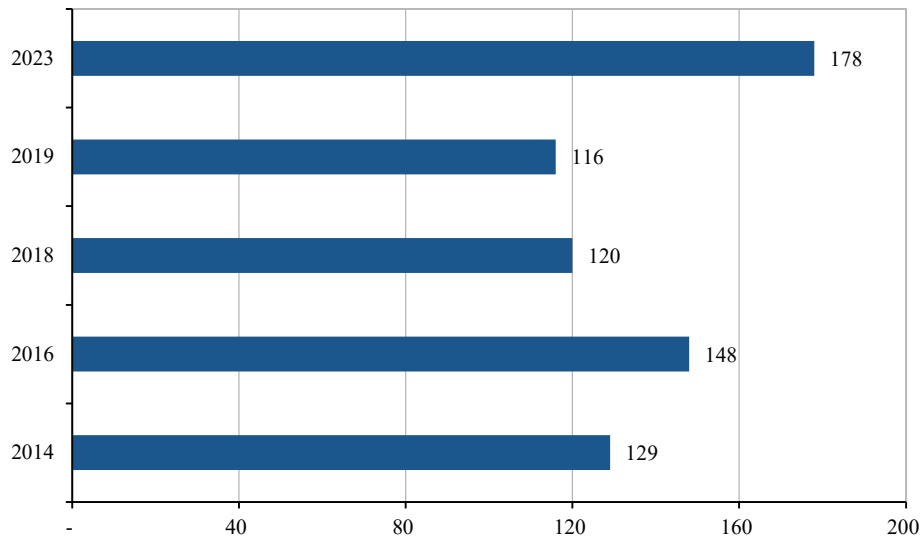
126 Over the period from 2014 to 2023, the average number of properties sold per agency increased by approximately 38% from 129 to 178 (which suggests some level of industry consolidation as transaction levels in 2023 are not materially different to 2014), as shown below:

³³ Source: Macquarie Bank Limited (2023): 2023 Real estate industry benchmarking report.

³⁴ Although subject to churn.

Residential real estate market – property sales per agency⁽¹⁾

Average number of properties sold per year



Note:

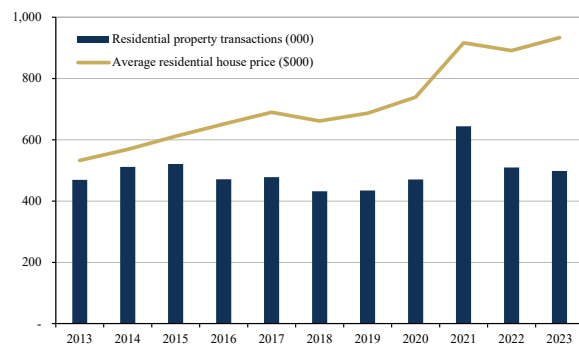
1 Based upon a survey of market participants in each year.

Source: Macquarie Bank Limited: 2023 Real estate industry benchmarking report.

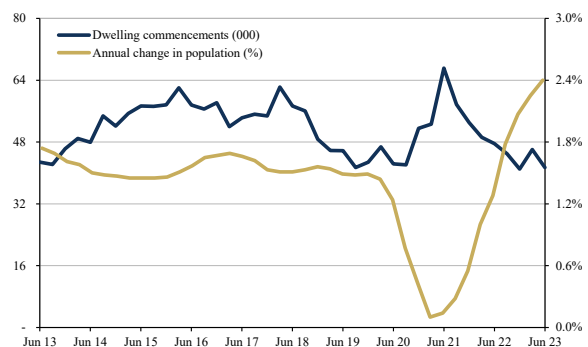
127 Aside from commission rates, transaction activity and changes in residential housing prices are the other key drivers of sales commission revenue for agencies operating in the residential property segment. Property management income is impacted by demand for housing (which is largely driven by population growth) and the level of housing supply³⁵. The below charts set out the historical data related to each of these key drivers over the 10 years ended 2023:

Residential property market – historical data

Total transactions and average price⁽¹⁾



Dwellings commenced and population change⁽²⁾



Note:

1 Includes total number of residential property transactions in each calendar year, and average residential house prices as at 31 December each year.

2 Includes the total number of new residential properties commenced, and growth in Australian population (% change relative to prior quarter) in each quarter.

Source: ABS: 6432.0 Total Value of Dwellings, data release for the December 2023 quarter and 3101.0 National, state and territory population, data release for the June 2023 quarter.

³⁵ For instance, higher commissions are earned during tight rental market conditions, when there is a shortage in rental properties and asking prices for rent are elevated (and vice versa).

128 In respect of the above, we note that:

- (a) average residential house prices have generally increased over the 10 years ended 31 December 2023, whereas the total number of transactions each year has exhibited a cyclical trend, and has broadly tracked changes in general macroeconomic conditions in Australia
- (b) new housing supply, represented by the number of new dwelling commencements, declined over the two years to June 2023 due to pandemic related challenges faced by the construction industry³⁶. This has resulted in a backlog of housing construction projects that has coincided with above average population growth (driven by record levels of immigration)
- (c) as a result of the above, there is currently a significant imbalance between housing supply and demand in Australia, resulting in upward pressure on both residential house prices and rents for rental properties.

129 There are a number of macro factors that also impact the residential real estate market including, inter alia:

- (a) **interest rates** – lower interest rates decrease borrowing costs (via more affordable mortgages), which tends to stimulate demand for housing. Conversely, higher interest rates increase borrowing costs and tend to reduce demand for housing
- (b) **economic conditions** – strong economic fundamentals generally support the property market. For example, when the economy is growing strongly, individuals are more likely to invest in property, leading to increased demand (and vice versa)
- (c) **government policies and incentives** – Australian government policies, such as those covering first-home buyer grants, stamp duty concessions for first home buyers, and tax incentives for property investors, can influence demand for residential real estate. Changes in regulations and policies related to land use, zoning, and development can also impact the level of housing supply across different regions
- (d) **infrastructure development** – infrastructure developments, such as new transportation networks, schools, hospitals, and commercial developments, can enhance the desirability of certain locations, leading to increased demand for housing in those regions
- (e) **foreign investment** – foreign investment in the Australian property market, particularly from countries with strong economies or currency advantages, can impact property demand, particularly for real estate located in popular urban areas and tourist destinations
- (f) **demographic trends** – changing demographics, such as an aging population or shifting household structures, can influence housing preferences and demand for different types of residential properties, such as retirement communities, multi-generational homes, or apartments suited for young professionals.

³⁶ Including restrictions on worksite access due to lockdowns, higher material prices and wages, and labour shortages associated with border closures.

Regulation

- 130 In Australia, residential property agencies are subject to various regulations to ensure consumer protection, ethical conduct, and professionalism within the real estate industry. Non-compliance with these regulations may result in financial penalties or disciplinary action. Key regulations that impact residential property agencies in Australia include:
- (a) **real estate agents licensing** – in all Australian States and Territories, individuals and companies engaged in real estate agency activities must hold a valid real estate agent’s license. Licensing requirements vary across each State and Territory, and typically include real estate agents completing approved education and training courses, obtaining relevant insurance, meeting character and suitability criteria, and passing relevant exams
 - (b) **codes of conduct** – real estate professionals are generally required to adhere to codes of conduct established by industry bodies that outline standards of behaviour, professionalism, and ethical practices expected of agents. The Real Estate Institute of Australia (REIA) is the national industry body that administers the REIA National Principles of Conduct, a set of standards that underpin the various State and Territory codes set by relevant local industry bodies. In addition, agencies with franchise offices are subject to the Franchising Code of Conduct³⁷, which outlines a set of rules aimed at establishing a fair and balanced relationship between franchisors and franchisees
 - (c) **tenancy laws** – for agencies involved in property management, tenancy laws govern the rights and responsibilities of landlords and tenants in residential rental properties. These laws vary materially across each State and Territory and cover aspects such as lease agreements, rent payments, property maintenance, repairs, inspections, and dispute resolution processes.

Outlook

- 131 Over the five years to FY29, IBISWorld is forecasting that real estate industry services revenue will increase at 4.8% per annum to reach \$35.4 billion³⁸, based on:
- (a) a recovery in construction activity (including the residential, industrial and commercial construction sectors)
 - (b) residential housing prices and housing transaction numbers continuing to increase, which should enable real estate agents to earn higher commission revenue on property sales
 - (c) an expected easing in interest rates in the coming years, contributing to further growth in the residential property market
 - (d) a combination of the above resulting in increasing profit margins for real estate agents.

³⁷ A code established under Federal Government legislation that governs the relationship between franchisees and franchisors.

³⁸ Based on “real” i.e. inflation adjusted rates.

V Valuation of McGrath

Overview

- 132 The market value of the shares in McGrath has been assessed by aggregating the market value of its business operations (on a “control” basis), together with the realisable value of any surplus assets / (liabilities) and adding net cash.
- 133 The valuation of McGrath’s business operations has been undertaken on the basis of market value as a going concern, defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length within a reasonable timeframe. An overview of generally accepted valuation approaches used in the determination of market value is set out in Appendix C.
- 134 We have assessed the value of McGrath adopting a sum of the parts approach, whereby the value of the equity in the Company is equal to the sum of the value of its individual business segments plus the value of other assets (including investments and net cash). Under the sum of the parts approach, the following valuation methodologies have been adopted:

Sum of the parts valuation approaches

Business	Primary valuation methodology	Key reasons
Company Owned Sales / Franchise Services	Capitalisation of EBITDA ⁽¹⁾	<ul style="list-style-type: none"> The Company Owned Sales and Franchise Services businesses operate in the real estate services industry which is a mature industry. Further, the McGrath brand has a well-established market position. Both the Company Owned Sales and Franchise Services businesses have established histories of profitability through the cycle and we have no reason to believe that this will not continue. Real estate services businesses are not capital intensive and therefore depreciation and amortisation expenses are relatively modest. The EBITDA multiples for listed companies operating in the real estate services industry are available. There are no reliable longer term forecasts available to enable the DCF approach to be undertaken.
Company Owned Property Management	Capitalisation of rent roll	<ul style="list-style-type: none"> Property management businesses typically transact based on the capitalisation of rent rolls (which is essentially a capitalisation of revenue approach). There are no reliable longer term forecasts available to enable the DCF approach to be undertaken.
Oxygen, McGrath Central Coast and Honey	Arm’s length transactions	<ul style="list-style-type: none"> Recent transaction evidence is available for these businesses. There are no reliable longer term forecasts available to enable the DCF approach to be undertaken.

Note:

- 1 Allowance for McGrath’s unallocated corporate costs has also been undertaken adopting the capitalisation of EBITDA methodology.

- 135 We have cross-checked our assessed value of McGrath (on a per share basis), by comparing our assessed value of the equity in McGrath (on a per share basis) with the listed market prices of McGrath shares prior to the announcement of the Scheme.

Valuation of Company Owned Sales and Franchise Services

- 136 In order to assess the appropriate level of EBITDA for valuation purposes for the Company Owned Sales and Franchise Services segments we have had regard to the historical results of the respective segments and discussed the recent financial performance and operating environment of these businesses with McGrath management. We have also reviewed and discussed the Company's FY24 budget with McGrath management, including the key risks and assumptions on which it is based. As the FY24 budget is commercially sensitive it has not been disclosed in this report.

Underlying EBITDA

- 137 McGrath's historical revenue and underlying EBITDA (i.e. EBITDA before non-recurring items) for FY20 to FY23, as well as the last 12 months to 31 December 2023 (LTM23), is summarised below:

McGrath – segment performance⁽¹⁾					
	FY20	FY21	FY22	FY23	LTM23
	\$m	\$m	\$m	\$m	\$m
Company Owned Sales	58.6	81.8	68.7	42.9	38.7
Company Owned Property Management	20.4	19.9	19.6	19.0	15.7
Franchise Services	7.7	13.4	16.2	13.6	15.7
Other Segment	4.9	7.3	8.0	7.0	8.3
Total revenue	91.6	122.4	112.4	82.5	78.3
Company Owned Sales	6.2	15.5	13.9	4.0	4.4
Company Owned Property Management	6.2	5.8	5.1	4.6	4.2
Franchise Services	3.5	8.1	9.3	7.4	8.7
Other Segment ⁽²⁾	0.7	1.9	1.5	1.3	1.6
Unallocated corporate costs ⁽²⁾	(12.9)	(13.7)	(10.8)	(11.2)	(11.5)
Underlying EBITDA⁽³⁾⁽⁴⁾	3.7	17.7	19.1	6.1	7.5
Underlying EBITDA margins:					
<i>Company Owned Sales (%)</i>	<i>10.6%</i>	<i>18.9%</i>	<i>20.3%</i>	<i>9.4%</i>	<i>11.4%</i>
<i>Company Owned Property Management (%)</i>	<i>30.2%</i>	<i>29.2%</i>	<i>26.3%</i>	<i>24.0%</i>	<i>26.7%</i>
<i>Franchise Services (%)</i>	<i>45.0%</i>	<i>60.7%</i>	<i>57.4%</i>	<i>54.4%</i>	<i>55.7%</i>

Note:

- 1 Rounding differences may exist.
- 2 Some costs that were previously reported in the Other Segment have been reassigned to unallocated corporate costs to ensure consistency between periods.
- 3 Underlying EBITDA for FY23 and 1H24 has been presented on a consistent basis with prior years.
- 4 As stated in Section III (paragraph 87), underlying EBITDA has been adjusted to remove the impact of lease accounting under AASB 16. AASB 16 provides an uplift to EBITDA as it replaces cash rent expenses with depreciation of "right of use" assets as well as interest expense associated with lease liabilities (both of which are recognised below the EBITDA line). In our view, this EBITDA uplift should be excluded as it is simply an accounting treatment which has no cash flow impact or impact on the underlying profitability of McGrath.

Source: McGrath financial results Investor Presentations and McGrath management.

- 138 As set out in Section IV (and evident in the above financial results for FY21 and FY22), the number of residential property transactions was significantly above long term averages in 2021 due to COVID-19 related work from home mandates, which led to a surge in residential property transactions as many people moved house or upsized their residence. Residential property transactions have since reduced, which has resulted in a reduction in McGrath’s profitability from the high levels reported in FY21 and FY22.
- 139 However, in our view none of the recent periods is fully reflective of an average level of residential property transactions and hence an average level of profitability for McGrath. Accordingly, we have set out below our assessment of EBITDA for valuation purposes for McGrath’s Company Owned Sales and Franchise Services business having regard to profitability through the cycle.

EBITDA for Company Owned Sales

- 140 A summary of the financial performance and a number of other key metrics for the Company Owned Sales segment is as follows:

Company Owned Sales – key financials and metrics					
	FY20	FY21	FY22	FY23	LTM23
Revenue (\$m)	58.6	81.8	68.7	42.9	38.7
Underlying EBITDA (\$m)	6.2	15.5	13.9	4.0	4.4
<i>Underlying EBITDA margin (%)</i>	<i>10.6%</i>	<i>18.9%</i>	<i>20.3%</i>	<i>9.4%</i>	<i>11.4%</i>
<i>Total properties sold (#)</i>	<i>3,158</i>	<i>4,209</i>	<i>3,772</i>	<i>2,326</i>	<i>2,056</i>
<i>Number of offices (at period end) (#)</i>	<i>30</i>	<i>29</i>	<i>29</i>	<i>21</i>	<i>18</i>
<i>Number of agents (at period end) (#)</i>	<i>156</i>	<i>162</i>	<i>140</i>	<i>128</i>	<i>105</i>

Source: McGrath financial results Investor Presentations and McGrath management.

- 141 The financial performance for McGrath’s Company Owned Sales segment has varied significantly over the above period primarily due to the following:
- (a) the significant increase in residential property transactions during the period impacted by COVID-19 restrictions which resulted in profits in FY21 and FY22 reaching record levels
 - (b) consistent with the change in business model to focus on franchise operations, McGrath has sold and transitioned a number of its Company Owned Sales offices to franchise offices in recent periods (whilst at the same time adding more franchise offices).
- 142 Given the above, in assessing EBITDA for valuation purposes for the Company Owned Sales segment, we have considered the level of EBITDA per Company Owned Sales offices and per agent working within these offices, a summary of which is as follows³⁹:

³⁹ Noting that this is not intended to be an exact science, given that certain offices or agents may be more profitable than others.

Company Owned Sales – EBITDA per office and agent					
	FY20	FY21	FY22	FY23	LTM23
EBITDA based on average office numbers					
Average number of offices (#)	30.8	29.3	28.4	24.7	21.1
EBITDA per office (\$000)	202	530	491	163	209
Average EBITDA per office (applying a 50% weighting to FY21 and FY22) (\$000)					271
EBITDA based on average agent numbers					
Average number of agents (#)	na ⁽¹⁾	na ⁽¹⁾	169.3	142.5	129.0
EBITDA per agent (\$000)	na ⁽¹⁾	na ⁽¹⁾	82	28	34
Average EBITDA per agent (\$000)					48

Note:

- 1 Due to a change in the way the Company reported its agent numbers from FY23 (noting that FY22 has been restated for this change), comparable agent data for FY20 and FY21 is not available.

- 143 As stated above, the COVID-19 pandemic resulted in residential real estate property transactions in FY21 and FY22 that were well above long term trends. To allow for the high level of transactions in FY21 and FY22, and the related significant increase in segment profitability in these years (which were well above average levels), in our assessment of through the cycle EBITDA we have:
- (a) applied a 50% weighting to the EBITDA per office for FY21 and FY22⁴⁰
 - (b) adopted the average EBITDA per agent for FY22, FY23 and LTM23⁴⁰.
- 144 As indicated above, this results in EBITDA per office of \$271,000 and EBITDA per agent of \$48,000. Whilst these EBITDA levels are higher than the EBITDA per office and agent achieved in FY23 and LTM23, we consider these levels to be more representative of the expected longer term average levels of profitability.
- 145 Having regard to these levels of EBITDA (including a range above and below these amounts), and the current number of Company owned offices / number of agents working within these offices, we have adopted EBITDA for valuation purposes for the Company Owned Sales segment of \$5.0 million, assessed as follows:

Company Owned Sales – EBITDA for valuation purposes				
	Para	Low \$000	Mid \$000	High \$000
EBITDA per office	141	251	271	291
Number of offices as at 31 December 2023 (#)	139	18	18	18
EBITDA		4,518	4,878	5,238
EBITDA per agent	141	44	48	52
Number of agents as at 31 December 2023 (#)	139	105	105	105
EBITDA		4,620	5,040	5,460
EBITDA adopted for valuation purposes			5,000	

⁴⁰ This therefore allows for one of these above trend years in the averages.

EBITDA for Franchise Services

146 A summary of the financial performance and a number of other key metrics for the Franchise Services segment is as follows:

McGrath – Franchise Services					
	FY20	FY21	FY22	FY23	LTM23
Revenue (\$m)	7.7	13.4	16.2	13.6	15.7
Underlying EBITDA (\$m)	3.5	8.1	9.3	7.4	8.7
<i>Underlying EBITDA margin (%)</i>	45.0%	60.7%	57.4%	54.4%	55.7%
<i>Total properties sold (#)</i>	7,202	10,250	10,172	8,709	10,216
<i>Number of offices (at period end) (#)</i>	67	78	79	105	113
<i>Number of agents (at period end) (#)</i>	299	329	301	529	591

Source: McGrath financial results Investor Presentations and McGrath management.

147 Regarding the financial performance of the Franchise Services segment over the above period we note that:

- (a) McGrath’s Franchise Services business reports higher margin, higher quality earnings that are less volatile than the Company Owned Sales segment
- (b) similar to the Company Owned Sales segment, the significant increase in residential property transactions in FY21 and FY22 materially increased EBITDA to high levels (on a per office or agent basis – see paragraph 147 below⁴¹)
- (c) the number of Franchise Services offices has increased significantly in recent years as the Company has focused on expanding its franchise network.

148 Given the above, in assessing EBITDA for valuation purposes for the Franchise Services segment, we have considered the level of EBITDA per franchise office and per agent working within these franchise offices, a summary of which is as follows:

Franchise Services – EBITDA per office and agent					
	FY20	FY21	FY22	FY23	LTM23
EBITDA based on average office numbers					
Average number of offices (#)	66.6	72.2	78.3	91.8	103.9
EBITDA per office (\$000)	52	113	119	81	84
Average EBITDA per office (applying a 50% weighting to FY21 and FY22) (\$000)					83
EBITDA based on average agent numbers					
Average number of agents (#)	na ⁽¹⁾	na ⁽¹⁾	446.9	478.3	536.4
EBITDA per agent (\$000)	na ⁽¹⁾	na ⁽¹⁾	22	14	15
Average EBITDA per agent (\$000)					17

Note:

- 1 Due to a change in the way the Company reported its agent numbers from FY23 (noting that FY22 has been restated for this change), comparable agent data for FY20 and FY21 is not available.

⁴¹ Comparability of earnings over the years for the Franchise Services segment has been impacted by the material increase in office levels from FY21 to 1H24, which is evident on a per office or agent basis.

- 149 To allow for the high number of transactions in FY21 and FY22, and the significant increase in segment profitability on a per office and per agent in these years, in our assessment of through the cycle EBITDA we have:
- (a) applied a 50% weighting to the EBITDA per office and agent for FY21 and FY22⁴²
 - (b) adopted the average EBITDA per agent for FY22, FY23 and LTM23⁴².
- 150 As indicated above, this results in an EBITDA per office of \$83,000 and an EBITDA per agent of \$17,000, noting that these average EBITDA levels are broadly similar to the EBITDA per office and agent for FY23 and LTM23.
- 151 Having regard to these levels of EBITDA (including a range above and below these amounts), and the current number of franchise offices / number of agents working within the franchise offices, we have adopted EBITDA for valuation purposes for the Franchise Services segment of \$10.0 million, assessed as follows:

Franchise Services – EBITDA for valuation purposes				
	Para	Low \$000	Mid \$000	High \$000
EBITDA per office	148	78	83	88
Number of offices as at 31 December 2023 ⁽¹⁾ (#)	145	117	117	117
EBITDA		9,126	9,711	10,296
EBITDA per agent	148	16	17	18
Number of agents as at 31 December 2023 ⁽¹⁾ (#)	145	611	611	611
EBITDA		9,776	10,387	10,998
EBITDA for valuation purposes (adopt)			10,000	

Note:

- 1 Based on the number of franchise offices disclosed in the 1H24 results and the average number of agents for these franchise offices.

EBITDA multiple for Company Owned Sales and Franchise Services

- 152 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

⁴² This therefore allows for one of these above trend years in the averages.

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc.
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

153 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for McGrath's Company Owned Sales and Franchise Services businesses.

Listed company multiples

154 In this section we discuss the trading evidence pertaining to the listed companies that provide real estate services that are similar to McGrath. All of McGrath's direct competitors are privately owned companies, and aside from McGrath, there is only one other small ASX listed company that provides residential real estate services. We have therefore considered international listed companies that provide residential property services, which includes franchisor companies (that primarily provide similar services to McGrath's Franchise Services business) as well as real estate service companies. The EBITDA multiples of these companies are set out in the table below:

Listed real estate services company multiples ⁽¹⁾									
Company ⁽²⁾	EV A\$m ⁽³⁾	Gearing %	EV/EBITDA ⁽⁴⁾			EBITDA margin			
			Hist. 2023 x	F'cast 2024 x	F'cast 2025 x	Hist. 2023 %	F'cast 2024 %	F'cast 2025 %	F'cast growth ⁽⁵⁾ %
Australian real estate companies									
McGrath	41	(83.5)	5.4	na	na	9.6	na	na	na
Agency Group Australia	18	40.9	nm	na	na	nm	na	na	na
International real estate franchisor companies									
RE/MAX Holdings	1,525	36.7	10.2	10.6	9.9	29.6	29.7	31.0	1.5
Property Franchise Group ⁽⁶⁾	423	(0.2)	19.6	10.6	8.2	41.8	40.8	34.6	54.5
Bridgemarq	262	44.5	9.1 ⁽⁷⁾	na	na	53.5 ⁽⁷⁾	na	na	na
M Winkworth ⁽⁶⁾	32	(25.4)	7.0	6.7	na	26.8	26.8	na	4.1
		Median	9.7	10.6	9.1				
International real estate service companies									
Anywhere Real Estate	4,863	81.1	15.7	8.9	6.6	3.5	5.9	7.2	54.6
LSL Property Services ⁽⁶⁾	453	(19.6)	14.9	7.7	6.6	11.0	19.6	21.3	50.3
		Median	15.3	8.3	6.6				

Note:

- 1 Enterprise value (EV) and multiples calculated as at 12 April 2024 except for McGrath which is calculated as at 22 March 2024 (being the last trading day prior to the announcement of the Scheme). Foreign currencies have been converted into A\$ at the exchange rate prevailing as at 12 April 2024.
- 2 A brief description of the operations of each company is provided at Appendix D.
- 3 EV includes net debt (interest bearing liabilities less non-restricted cash), preference shares, convertible notes, net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution, share placements and buybacks and excludes surplus assets.
- 4 Historical multiples are based on actual results and have been adjusted to remove non-recurring items and the impact of IFRS / AASB 16. Forecast multiples are based on FactSet broker average forecasts which have been adjusted to remove the estimated impact of IFRS / AASB 16.
- 5 Forecast growth is based upon the compound annual growth rate over the forecast period for each company.
- 6 As at 12 April 2024 these companies had not released their results for 2023 and therefore the 2023 multiples and EBITDA margins for these companies has been calculated based upon forecast earnings.
- 7 Given results for 2023 are not available for Bridgemarq as at 12 April 2024 and there are no broker forecasts available, the EBITDA multiple and EBITDA margin are based on actual results for the twelve months ended 30 September 2023.

nm – not meaningful, na – not available.

Source: FactSet, company announcements and LEA analysis.

155 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical research undertaken by LEA indicates that the average premium paid above the listed market price of equity in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover)⁴³. However, this usually translates to a lower premium at the EBITDA multiple or enterprise value level, depending on the level of debt funding employed in each company.

156 In addition, we note that:

- (a) Agency Group Australia has generated EBITDA losses historically, and does not have any broker coverage as at 12 April 2024. Accordingly, trading multiples are unable to be calculated for this company and it is shown above for completeness
- (b) the majority of the international listed companies are larger and have more diverse operations (both in service offering and geographic scale) than McGrath's Company Owned Sales and Franchise Services segments. In this regard, we note that, all other things equal, smaller listed companies (e.g. M Winkworth) generally trade on lower multiples than the larger listed companies
- (c) in addition, the international companies operate in different geographic regions and are therefore subject to different economic and real estate cycles. Notwithstanding this, we note that the many international residential property markets have recently experienced similar headwinds to the Australian industry due to the impacts of rising inflation and the associated interest rate increases implemented by central banks

⁴³ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to June 2023. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts and listed investment companies, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

- (d) due to the above, and given that interest rates have generally stabilised and many international residential property markets are showing signs of trending back to normalised conditions, in our view, less regard should be given to the historical multiples relative to forecast multiples
- (e) franchisor companies are considered lower risk and higher quality businesses relative to real estate service companies (which translates to higher implied earnings multiples). This is due to the following:
 - (i) growth – franchisors are levered to sales of the whole network, rather than sales of an individual franchisee or a group of franchisees
 - (ii) reliability of income – franchisors are assured revenue regardless of the profitability of the franchisee businesses (i.e. franchisors receive royalties on revenue regardless of underlying profitability of the franchisee)
 - (iii) scalability – franchisors have the ability to expand with limited capital requirements (as costs associated with establishing offices are borne by the franchisee)
 - (iv) profitability – franchisors tend to have significantly higher EBITDA margins than franchisees companies
- (f) regarding the listed international real estate franchisor companies:
 - (i) in January 2024, Property Franchise Group merged with listed franchisor Belvoir Group, creating the second largest real estate agency network in the United Kingdom (UK). Given that the forecast earnings for 2023 do not take into account the earnings of the consolidated entity, the EBITDA multiple for 2023 should be disregarded⁴⁴
 - (ii) notwithstanding that it is based in the UK, M Winkworth would appear to be the most comparable of the above listed companies to McGrath’s Franchise Services business in terms of size and business operations, and accordingly, we consider the EBITDA multiples exhibited by this company to be most relevant in our assessment of an appropriate multiple range for McGrath’s franchise services operations
- (g) regarding the listed international real estate service companies:
 - (i) LSL Property Services reported a significant decline in earnings for the six months ended 30 June 2023, and as a result the EBITDA multiple for 2023 is materially higher than other periods, In our opinion, the 2023 EBITDA multiple should therefore be disregarded
 - (ii) in addition to operating residential property agencies, these companies generate a proportion of earnings from the provision of adjacent services such as valuation and surveying, mortgage broking and other financial services
 - (iii) both Anywhere Real Estate and LSL Property Services also derive franchise fee earnings from franchisee networks and accordingly both could be considered a combination of both franchisor and franchisee companies

⁴⁴ This is because the combined entity is reflected in the EV of Property Franchise Group as at 12 April 2024, however the earnings generated in 2023 occurred prior to the transaction, resulting in materially higher implied multiple for 2023 than those expected for 2024 and 2025.

- (iv) given (g)(ii) and (g)(iii) above, the multiples for these companies are not representative of the multiple applicable to a relatively small portfolio of company owned offices such as McGrath's Company Owned Sales segment.

Transaction evidence

157 We have identified a number of transactions involving the acquisition of companies that provide similar services to McGrath's Company Owned Sales and Franchise Services segments. A summary of the EBITDA multiples implied by these transactions is shown below:

Transaction multiples				
Date ⁽¹⁾	Target	Acquirer	EV m	EV / EBITDA multiple ⁽²⁾ x
Real estate service companies⁽³⁾				
Apr 21	Countrywide	Connells	£170.2	5.8 H
Mar 17	Beaufort Realty	Ausnet Financial Services	A\$2.6	5.0 F
Oct 16	Sydney Boutique Property	N1 Holdings	A\$1.9	3.7 F
Dec 15	Smollen Group	McGrath	A\$64.8	5.6 H
Franchisor companies				
Jan 24	Belvoir Group	Property Franchise Group	A\$196.1	10.2 H

Note:

- 1 Date of transaction announcement.
- 2 H – multiple based on historical EBITDA, F – multiple based on forecast EBITDA.
- 3 These companies also provide property management services.

Source: LEA analysis using data from ASX announcements, press releases and analyst reports.

158 In relation to the transaction evidence it should be noted that:

- (a) the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a premium for control
- (b) the companies acquired differ materially in terms of their size and nature of operations. Accordingly, in our view, the median or average multiples implied by these transaction are not necessarily representative of the multiples which should be applied to McGrath's respective businesses⁴⁵
- (c) market conditions may have changed significantly since the majority of the above transactions occurred (excluding the recently acquired Belvoir Group business)
- (d) the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of

⁴⁵ LEA has an extensive database of Australian company transactions, including details of prices paid, implied enterprise values and earnings multiples. This evidence indicates that:

- (a) small companies generally trade on significantly lower earnings multiples than larger companies (provided other variables such as expected earnings growth are similar); and
- (b) investors usually require a higher rate of return to compensate for the additional risks associated with small companies compared to larger ones.

the multiple which would be derived from an assessment of each target company's through the cycle earnings

- (e) only one of the above businesses (i.e. Smollen Group) is comparable to McGrath's Company Owned Sales business
- (f) Belvoir Group is the only transaction related to the acquisition of a real estate franchisor company, which implied a multiple of 10.2 times EBITDA. However, this transaction potentially reflected a strategic premium as significant synergies are likely to be available given Belvoir Group was acquired by Property Franchise Group to create one of the UK's largest multi-brand franchisor networks
- (g) regarding transactions involving the acquisition of real estate services companies, these ranged from between 3.7 times to 5.8 times EBITDA, noting that:
 - (i) all of the above companies operated property management businesses (i.e. rent rolls) and these businesses generally have a materially higher value than real estate operations purely focused on sales (which, inter alia, would increase the EBITDA multiples for these transactions)
 - (ii) the acquisition of Smollen Group by McGrath is the most comparable to McGrath's Company Owned Sales segment as it comprised the acquisition of 10 McGrath franchised offices. The implied EBITDA multiple for this transaction was 5.6 times EBITDA including deferred consideration, noting that:
 - at the time of the acquisition, this business had EBITDA of \$11.6 million, which is more than double the current EBITDA for the Company Owned Sales segment
 - the transaction was undertaken in December 2015, which had different market conditions to those currently
 - as noted above the transaction included a property management business (i.e. a rent roll)⁴⁶ and such businesses generally have a materially higher value than real estate operations purely focused on sales
 - (iii) Countrywide was acquired for £170 million (or A\$309 million) in April 2021 on an EBITDA multiple of 5.8 times. The EBITDA multiple implied by the transaction was potentially low as Countrywide had been underperforming prior to the acquisition. Notwithstanding this, Countrywide is significantly larger than McGrath's Company Owned Sales business and operated a property management business. As such, we consider that the appropriate EBITDA multiple for McGrath's Company Owned Sales segment should be materially lower than this EBITDA multiple.

Potential synergies

159 The Bidder has not provided any specific guidance on the level of synergies it expects to realise from the acquisition of McGrath. However, if the Scheme is approved and implemented, McGrath will be delisted from the ASX, resulting in the elimination of listed public company costs (e.g. director fees, listing fees, share registry fees, shareholder communication costs etc.). Notwithstanding this:

⁴⁶ Based on the accounting fair value assessment post acquisition, the property management business accounted for 21.6% of the value of the consideration paid.

- (a) as set out in RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair
- (b) the EBITDA multiples implied by recent transaction evidence generally reflects an expectation that synergies would be generated
- (c) the existence of synergies from business combinations is one of the key reasons why bidders pay a control premium to acquire a company.

160 Accordingly, in our opinion, it would be inappropriate to expect the EBITDA multiples adopted in our valuation of the Company Owned Sales and Franchise Services businesses to reflect other than a normal level of synergies.

Other factors

161 In assessing the appropriate EBITDA multiple range for McGrath's Company Owned Sales and Franchise Services businesses, we have also had regard to a range of other factors including:

- (a) **market positioning** – McGrath holds a strong position in the Australian residential real estate services market, particularly along the eastern seaboard
- (b) **market competition** – the Australian residential real estate services industry is highly competitive and has relatively low barriers to entry for new entrants. Market operators such as McGrath are also potentially exposed to disintermediation whereby buyers and sellers are able to transact directly without using the services of an agent
- (c) **industry dynamics** – both the Franchise Services business and Company Owned Sales segment are exposed to the variability and volatility of the Australian real estate services sector
- (d) **reliance on key agents** – McGrath's Company Owned Sales and Franchise Services businesses rely significantly on its agents. These segments are therefore exposed to the risk of losing high performing agents to competitors
- (e) **the Franchise Services segment** –
 - (i) earnings generated from McGrath's Franchise Services segment are less volatile and higher margin relative to earnings generated from the Company Owned Sales segment
 - (ii) this business is in an expansion phase, and has demonstrated an ability to add new franchisees with franchise office numbers increasing from 67 as at 30 June 2020 to 117 as disclosed in the Company's 1H24 results. Further, McGrath has plans to increase franchise office numbers by 115 over the next 3 to 4 years
 - (iii) reflective of these factors, the EBITDA multiple for the Franchisee Service business would be expected to be significantly higher than the Company Owned Sales business.

Conclusion on appropriate EBITDA multiples

162 Based on the above, for valuation purposes, we have adopted an EBITDA multiple range of:

- (a) 3.0 times to 3.5 times when applied to the level of EBITDA adopted for valuation purposes for the Company Owned Sales business. This range:

- (i) is lower than the implied EBITDA multiples for acquisition of the Smollen Group business, due to the difference described in paragraph 157(g)(ii) above
 - (ii) is towards the low end of the range of the other real estate services company transactions, given difference in size (in particular to Countrywide) and operations and nature of operations (noting that all of the real estate service company transactions involved companies with material rent roll businesses which are valued significantly higher than real estate operations focused on sales)
 - (iii) allows for the through the cycle EBITDA we have adopted for valuation purposes, which is higher than the most recent historical EBITDA reported by this segment
- (b) 8.5 times to 9.0 times when applied to the level of EBITDA adopted for valuation purposes in respect of the Franchise Services business. This range:
- (i) is slightly lower than the implied EBITDA multiple for Belvoir Group on the basis that this was a substantially larger business than the Franchise Services segment of McGrath and that this transaction may have reflected a strategic premium
 - (ii) is broadly consistent with the forecast multiples implied by listed company M Winkworth (after allowing for a theoretical control premium)
 - (iii) is materially higher than the multiple range adopted for the Company Owned Sales segment, which reflects the lower risk and higher quality of franchisor businesses as discussed in paragraph 155(e) above
 - (iv) allows for the through the cycle EBITDA we have adopted for valuation purposes, which is higher than the most recent historical EBITDA reported by this segment.

Enterprise value of Company Owned Sales and Franchise Services

163 On this basis, the value of McGrath's Company Owned Sales and Franchise Services businesses is as follows:

McGrath – enterprise value of Company Owned Sales and Franchise Services			
	Paragraph	Low \$m	High \$m
Company Owned Sales			
EBITDA adopted for valuation purposes	144	5.0	5.0
EBITDA multiple	161(a)	3.0	3.5
Company Owned Sales enterprise value		15.0	17.5
Franchise Services			
EBITDA adopted for valuation purposes	147	10.0	10.0
EBITDA multiple	161(b)	8.5	9.0
Franchise Services enterprise value		85.0	90.0

Valuation of Company Owned Property Management

164 A summary of the financial performance and a number of other key metrics for the Company Owned Property Management segment is as follows:

Company Owned Property Management – key financials and metrics					
	FY20	FY21	FY22	FY23	LTM23
Revenue (\$m)	20.4	19.9	19.6	19.0	15.7
Underlying EBITDA (\$m)	6.2	5.8	5.1	4.6	4.2
<i>Underlying EBITDA margin (%)</i>	30.2%	29.2%	26.3%	24.0%	26.7%
<i>Rent roll revenue (annual)⁽¹⁾ (\$m)</i>	14.9	14.0	14.0	12.7	11.3
<i>PUM – company owned (#)</i>	8,375	7,748	7,948	6,447	5,449

Note:

1 Implied from rent roll valuations undertaken by McGrath.

Source: McGrath financial results Investor Presentations and McGrath management.

- 165 Revenue and underlying EBITDA has reduced for the Company Owned Property Management segment due to the Company selling and transitioning a number of agencies to franchise offices in recent periods with the attached rent roll generally included as a part of the sale. As a result, the number of PUM has reduced from 8,375 as at 30 June 2020 to 5,449 as at 31 December 2023.
- 166 As stated above, the valuation of the Company Owned Property Management segment has been undertaken adopting the capitalisation of revenue approach (i.e. a rent roll valuation using the capitalisation of rent roll methodology).

Overview of rent roll methodology

- 167 Rent rolls are another way of referring to the department of a real estate agency that manages rental properties for landlords. Income is primarily derived from collecting rent on behalf of the landlord for which a commission is earned on a recurring basis.
- 168 The generally accepted method for valuing real estate rent rolls in Australia is the capitalisation of rent roll method, whereby the annual management fee income generated by the rent roll is multiplied by a rent roll multiple. The rent roll multiple is derived having regard to a number of factors including, inter alia:
- (a) the demand and supply of rent rolls
 - (b) recent sales of comparable rent rolls
 - (c) the location of the properties under management in the rent roll
 - (d) the duration of the management agreements
 - (e) the average management fee
 - (f) the ratio of landlords to properties managed
 - (g) the level of vacancies in the rent roll
 - (h) the contribution of letting fees to overall management fee income; and
 - (i) the administration of the rent roll including systems, procedures and arrears control.

Rent roll multiples

- 169 Rent roll transaction information is limited in availability, however we understand that rent rolls multiples have increased over the years, with a summary of the current range of rent rolls by geographic location as follows:

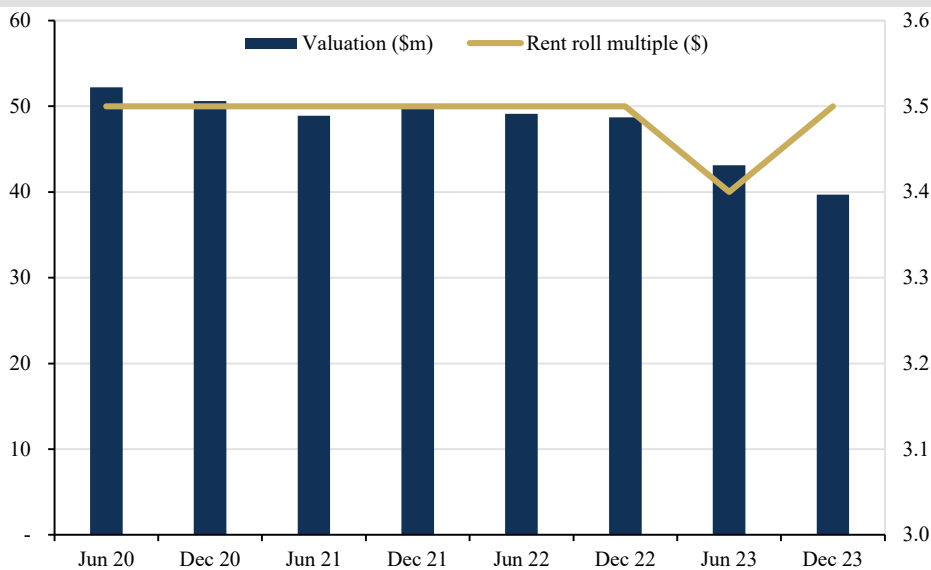
Residential rent roll multiples

	Low \$	High \$
Sydney	3.50	4.20
Melbourne	3.00	3.60
Brisbane	2.80	3.20

Source: Industry sources and LEA analysis.

170 McGrath has undertaken a management valuation of its rent roll business for a number of years. A summary of these management valuations is as follows:

Company owned property management



Source: McGrath financial results Investor Presentations.

171 Regarding the above we note that:

- McGrath's rent rolls are largely located in Sydney, with the remaining rent rolls located in Brisbane
- McGrath management has access to in depth industry research and prior transactions with respect to buying and selling rent rolls when undertaking these valuations
- the rent roll multiples applied by McGrath in the half yearly valuations are broadly consistent with the rent roll multiples that have been applied in sales and purchases of rent rolls undertaken by McGrath in recent periods
- we have reviewed McGrath's rent roll valuations over a number of years and note that they are based on a blend of multiples, having particular regard to the location of the rent roll (noting that for example Sydney based rent rolls transact at a premium to Brisbane based rent rolls)
- McGrath management adopts a conservative approach to the valuation of its rent rolls based on its industry knowledge and experience in buying and selling individual rent rolls

- (f) the reduction in aggregate rent roll values over the period June 2020 to December 2023 is due to the sale and transition of a number of Company owned offices, with the rent roll included as a part of the sale (noting that the rent roll is typically the most valuable part of the consideration paid for the agency)
- (g) notwithstanding the sale of Company owned rent rolls, the weighted average rent roll multiples implied by the McGrath management valuations are generally consistent at around \$3.50 per \$1 of management fee revenue.

172 Having regard to the above, we have adopted rent roll multiples ranging from \$3.30 to \$3.70 per \$1 of management revenue for the valuation of McGrath's Company Owned Property Management segment.

McGrath's rent roll revenue

173 The implied annualised management revenue for the most recent valuation undertaken by McGrath was \$11.3 million as at 31 December 2023. We understand from discussions with McGrath management that there has been no material change in the level of management revenue from 31 December 2023 to date⁴⁷. Accordingly, for valuation purposes we have adopted \$11.3 million as annualised management fee revenue.

Enterprise value of Company Owned Property Management

174 Based on the above, we have determined the value of McGrath's rent roll (i.e. its Company Owned Property Management segment) as follows:

Company Owned Property Management – rent roll valuation			
	Para	Low \$m	High \$m
Annualised management revenue	171	11.3	11.3
Rent roll multiple (\$)	172	3.3	3.7
Business value		37.3	41.8
Estimate of selling costs associated with the disposal		(1.6)	(1.6)
Enterprise value		35.7	40.2

175 The above valuation range implies EBITDA multiples ranging from 9.9 times to 11.2 times, which we have compared to the (limited) available EBITDA multiple evidence for rent roll operations, which is set out below:

Transaction multiples				
Date⁽¹⁾	Target	Acquirer	EV⁽²⁾ A\$m	EV / EBITDA Multiple⁽³⁾ x
Jul 20	HML Holdings	Harwood Capital	34.4	7.2 H
Feb 14	Real Estate Corp	Namarong Investments	63.9	11.6 H

⁴⁷ As at the date of this report, McGrath had entered into an agreement to sell the rent roll of one particular office for \$1.1 million. While currently scheduled to settle on 1 July 2024, there are a number of risks that this could be delayed and there is no certainty that the transaction will complete. In any event, this sale consideration is broadly consistent with our rent roll valuation for this office and as such has no material impact on our valuation of McGrath's property management business.

Note:

- 1 Date of transaction announcement.
- 2 EV on a 100% basis.
- 3 H – multiple based on historical EBITDA.

Source: LEA analysis using data from ASX announcements, press releases and analyst reports.

176 Regarding the above we note that:

- (a) the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a premium for control
- (b) market conditions may have changed since the above transactions occurred (noting that rent roll multiples have increased over time)
- (c) HML Holdings is a UK based entity that provides real estate rental services and is therefore exposed to the UK real estate market's conditions. Given the limited comparable transaction data, this transaction has been considered, but there are limitations on its comparability to McGrath's property management operations
- (d) the majority of Real Estate Corp's business related to rental management (i.e. a rent roll). Notwithstanding the time that has passed since the date of this transaction, the Real Estate Corp acquisition provides the best evidence of an EBITDA multiple for a company that specialises in rent roll operations. Given that Real Estate Corp was substantially larger than McGrath's Company Owned Property Management business, we would expect the EBITDA multiple for McGrath's rent roll to be lower. However, countering this somewhat is that rent roll multiples have increased since this transaction occurred.

177 Having regard to the above, we consider our valuation range of McGrath's Company Owned Property Management business to be reasonable and appropriate.

Other Segment

178 As set out in Section III (paragraph 75), the Other Segment comprises services that complement McGrath's core service offering, including auction services, training services, the marketing fund and investments in associates. Regarding this segment:

- (a) the investments in associates have been valued separately (see paragraphs 181 to 183 for Oxygen and paragraphs 184 to 185 for McGrath Central Coast)
- (b) the remaining businesses, i.e. auction services⁴⁸ and training services, do not make material contributions to the EBITDA of McGrath, however they do have some value. These business have been valued based on the capitalisation of EBITDA approach, adopting average EBITDA for these businesses over FY22, FY23 and LTM23, and an EBITDA multiple consistent with the EBITDA multiple adopted for the Company Owned Sales segment. This results in a value of \$2.0 million to \$2.3 million for these combined businesses
- (c) the marketing fund reports a small profit at the EBITDA level however, after allowance for its share of unallocated corporate costs this service breaks even (consistent with the

⁴⁸ McGrath has majority ownership of this business.

terms of the franchise arrangements). Accordingly, for valuation purposes the marketing fund EBITDA has been offset against unallocated corporate costs.

Unallocated corporate costs

- 179 McGrath's unallocated corporate costs are the shared services that include head office corporate costs as well as finance, information technology, legal and human resources costs. In FY22 and FY23 these costs were \$10.9 million and \$11.2 million respectively, and in LTM23 these costs were \$11.4 million. These costs are before allowance for the modest level of EBITDA from the marketing fund⁴⁹, which offsets a small proportion of these costs. Having regard to the above, for valuation purposes, we have adopted unallocated corporate costs of \$11.0 million per annum.
- 180 The EBITDA multiple applied to the unallocated corporate costs is based on the weighted average EBITDA multiple applied to the Company Owned Sales, Franchise Services, Company Owned Property Management and Other Segments businesses, which equates to an EBITDA multiple range of 7.2 to 7.8 times.
- 181 On this basis, the allowance for unallocated corporate costs for McGrath is as follows, noting we have adopted the midpoint of this range:

McGrath – allowance for unallocated corporate costs			
	Paragraph	Low \$m	High \$m
EBITDA adopted for valuation purposes	178	(11.0)	(11.0)
EBITDA multiple (weighted average)	179	7.2	7.8
Corporate costs allowance		(78.7)	(85.7)
Midpoint adopted for valuation purposes		(82.2)	

Investments in associates and other financial assets

Investment in Oxygen

- 182 As stated in Section III (paragraphs 81 and 82), Oxygen is a mortgage broking business that is involved in originating, broking and providing advice in relation to residential mortgages. The business generates revenue from upfront and trailing commissions associated with home loans settled through the broker.
- 183 On 6 April 2021, an external investor injected \$2.5 million of cash into Oxygen and agreed to pay a deferred cash payment of \$1.8 million to McGrath in return for a 55% controlling interest in Oxygen. As a result, the Company's interest in Oxygen was reduced to 45%. This investment implied values for McGrath's investment in Oxygen of \$1.7 million⁵⁰. As at 30 June 2023, the value of Oxygen was impaired by \$0.5 million in the Company's financial statements.

⁴⁹ As stated above, whilst the marketing fund typically makes a profit at the EBITDA level, after allowance for its share of the unallocated corporate costs the marketing fund's results are break even.

⁵⁰ During FY22 the Company's interest in Oxygen decreased to 44% as a result of additional equity being issued to an employee of Oxygen. No specific value was placed on Oxygen for this equity issue.

184 For the purpose of our report, we have adopted a value for McGrath’s 44% interest in Oxygen of between \$1.3 million (consistent with its carrying value as at 31 December 2023) and \$1.7 million (consistent with the value implied by the April 2021 equity investment). In addition, as at 31 December 2023, McGrath is owed \$0.3 million from the April 2021 equity investment and accordingly, we have added this amount to the above values for Oxygen. This results in a total value attributable to McGrath’s investment in Oxygen of between \$1.6 million and \$2.0 million.

Investment in McGrath Central Coast

185 On 4 October 2022, McGrath acquired a 30% interest in McGrath Central Coast for \$6.5 million. As stated in Section III (paragraph 83), as at the date of acquisition, McGrath Central Coast operated six offices with approximately 1,300 PUM across the Central Coast region in NSW and had a strong sales team that has won numerous real estate awards. As at 31 December 2023, the Company’s carrying value of McGrath Central Coast was \$6.7 million⁵¹.

186 Since McGrath’s acquisition of this business, the number of transactions in the residential real estate industry has contracted however, McGrath Central Coast has maintained market share and is expected to grow in future years. Additionally, this investment is tested for impairment on an semi-annual basis, noting that no impairment was reported as at 31 December 2023. Accordingly, for the purpose of this report we have adopted a value that is consistent with the cost of McGrath’s initial investment, i.e. \$6.5 million.

Investment in Honey

187 On 27 January 2022, McGrath invested \$6.5 million in Honey through a convertible note. As stated in Section III (paragraph 86), Honey is an insurance technology company that offers digital home and contents insurance services to homeowners, landlords and renters.

188 On 9 February 2024, Honey completed a capital raising and the convertible note converted to shares. Based on this capital raising and the terms of the convertible note, the value of McGrath’s investment in Honey increased to \$8.1 million. Accordingly, for the purpose of this report we have adopted a value for McGrath’s investment that is consistent with the recent capital raising, i.e. \$8.1 million (which is also consistent with its carrying value as at 31 December 2023).

Other assets / (liabilities)

189 As at 31 December 2023, McGrath had a number of other non-core assets / (liabilities) for which it is appropriate that an allowance be made when assessing the value of the equity in the Company. The assets and liabilities are as follows, and in aggregate amount to a net liability position of \$0.6 million, determined as follows:

- (a) **other equity investment** – as stated in Section III (at paragraph 105), McGrath holds an equity instrument relating to a minority interest investment in one of McGrath’s franchisees. Whilst McGrath has not received any dividends to date on this investment, we understand that this franchisee has a rent roll asset that supports the carrying value of \$0.3 million (as at 31 December 2023). For the purpose of this report we have adopted a value of \$0.3 million

⁵¹ Which is the initial purchase consideration, plus the Company’s share of profits and less dividends received since acquisition.

- (b) **deferred consideration payable** – deferred consideration of \$0.9 million is payable in respect of the Company’s acquisition of its 30% interest in McGrath Central Coast. This payment is required to be made in October 2024.

Net cash

- 190 As at 31 December 2023, McGrath had cash of approximately \$26.3 million. Following the payment of the \$0.03 per share interim dividend on 12 March 2024 (which equated to \$4.8 million in total), the cash balance would reduce to \$21.6 million.
- 191 As stated in Section III (paragraph 93), McGrath’s working capital position (excluding cash) has moved from negative to positive in recent periods as the Company has changed its business model to predominantly focus on franchise operations and transferred a proportion of the Company’s previous working capital balance to its franchisees.
- 192 As at 30 June 2023 and 31 December 2023, McGrath’s working capital position was \$2.8 million and \$1.5 million respectively. However, in our view, it is appropriate to allow for additional working capital through the cycle. Accordingly, for valuation purposes we have allowed for an additional \$4.0 million to \$6.0 million of cash for working capital purposes. As a result, we have adopted surplus cash of \$15.6 million to \$17.6 million (adopting the midpoint of \$16.6 million).

Fully diluted shares on issue

- 193 McGrath has some 159.2 million fully paid ordinary shares on issue, 3.244 million McGrath Long Term Incentives issued under the McGrath Employee Share Plan and 2.400 million McGrath Agent Incentives issued under the McGrath Agent Share Plan. McGrath’s Employee Share Trust holds 2.172 million shares to satisfy any potential shares to be allocated upon conversion of the McGrath Long Term Incentives (i.e. these shares are already part of the ordinary shares on issue).
- 194 In accordance with the plan rules for the McGrath Employee Share Plan and the McGrath Agent Share Plan, and relevant terms of offers to the participants, the McGrath Board has taken into account various considerations, including McGrath's performance to date, and proposes that subject to the Scheme becoming effective⁵²:
- (a) 1.351 million McGrath Long-Term Incentives will vest and be satisfied by the transfer of McGrath shares from McGrath’s Employee Share Trust to the relevant participants
- (b) 1.072 million McGrath Long Term Incentives will lapse and the Bidder commits to issuing incentive rights of equivalent value to the same holders pursuant to an equity incentive plan to be established by the Bidder in RollCo. These performance rights in RollCo will be unvested
- (c) 0.821 million McGrath Long-Term Incentives will lapse for nil consideration
- (d) 0.993 million McGrath Agent Incentives will be cashed out on a pro-rata (to time served) basis, calculated based on the proportion of the vesting period that has passed at the time of implementation of the Scheme and the \$0.60 cash offer price under the Scheme. The maximum aggregate amount that is proposed to be payable by McGrath

⁵² Refer to Section 10.2 of the Scheme Booklet for further information regarding the treatment of the McGrath Long Term Incentives and McGrath Agent Incentives.

in connection with the McGrath Agent Incentives is \$0.6 million. This amount has been treated as a surplus liability in our valuation; and

(e) 1.407 million McGrath Agent Incentives will lapse for nil consideration.

195 The McGrath Board has reserved the ability to determine the treatment of McGrath Long-Term Incentives and McGrath Agent Incentives as between individual employees and agents respectively, provided that the treatment in aggregate does not exceed the above parameters⁵³.

196 The cash proceeds from the sale of the remaining 0.821 million unallocated McGrath Shares held by McGrath's Employee Share Trust to the Bidder under the Scheme will be applied toward retention payments to certain McGrath employees in order to retain their services during the Scheme implementation process (including a cash payment to Mr John McGrath, and otherwise for the future benefit of McGrath employees as the trustee of McGrath's Employee Share Trust thinks fit).

197 For the purpose of our valuation we have therefore adopted fully diluted McGrath shares on issue of 159.2 million (i.e. consistent with the current number of McGrath shares on issue).

Value of McGrath

198 Based on the above, we have assessed the value of 100% of the equity in McGrath on a controlling interest basis as follows:

McGrath – valuation summary			
	Paragraph	Low \$m	High \$m
Enterprise value of Company Owned Sales	162	15.0	17.5
Enterprise value of Franchise Services	162	85.0	90.0
Enterprise value of Company Owned Property Management	173	35.7	40.2
Enterprise value of Other Segment	177(b)	2.0	2.3
Unallocated corporate costs	180	(82.2)	(82.2)
Enterprise value		55.5	67.8
Investment in Oxygen	183	1.6	2.0
Investment in McGrath Central Coast	185	6.5	6.5
Investment in Honey	187	8.1	8.1
Other liabilities (net)	188	(0.6)	(0.6)
Surplus cash	191	16.6	16.6
Cash settlement of McGrath Agent Incentives	193(d)	(0.6)	(0.6)
Equity value – controlling interest basis		87.0	99.8
Fully diluted shares on issue (million)	194	159.2	159.2
McGrath value per share – controlling interest basis (\$)		\$0.55	\$0.63

Cross-check to pre-announcement share trading range

199 In order to cross-check our assessed value of the equity in McGrath we have considered the listed market prices of McGrath shares. We note that:

⁵³ In certain circumstances, the McGrath Board will have the discretion to vest up to an additional 135,103 McGrath Long-Term Incentives.

- (a) significant information has been disclosed in relation to McGrath’s operations in its financial reports and stock exchange announcements
- (b) McGrath has an obligation under the ASX Listing Rules (subject to certain exemptions) to notify the ASX immediately of any information that it becomes aware of concerning McGrath which a reasonable person would expect to have a material effect on the price or value of McGrath
- (c) McGrath shares are relatively liquid when considering the free float of the shares⁵⁴.

200 The trading range and volumed weighted average price (VWAP) of McGrath shares in the one, three and six month periods up to 22 March 2024 (i.e. the last trading day prior to the announcement of the Scheme) are set out below:

McGrath – share trading history					
Period up to 22 March 2024	Start date	End date	Low \$	High \$	VWAP \$
Day prior to announcement of Scheme	n/a	n/a	0.47	0.48	0.47
1 month	23 Feb 24	22 Mar 24	0.46	0.56	0.51
3 months	23 Dec 23	22 Mar 24	0.40	0.56	0.48
6 months	23 Sep 23	22 Mar 24	0.38	0.56	0.45

n/a – not applicable.

Source: FactSet and LEA analysis.

201 Having regard to the above, we have adopted an “undisturbed” share price for McGrath of \$0.45 to \$0.50 for the purposes of our comparison. Adding a 30% to 35% premium for control⁵⁵ to these share prices would therefore result in a theoretical “control” value of \$0.58 to \$0.68 per McGrath share. This theoretical range is consistent with the high end of our assessed value of McGrath shares (on a 100% controlling interest basis). We therefore consider that our valuation range is reasonable and appropriate.

⁵⁴ Excluding Mr John McGrath and Fondorru, AL Capital Holdings Pty Ltd, and Mr Shane Smollen and Maratea Holdings No 2 Pty Ltd who are long term holders of McGrath shares.

⁵⁵ Empirical research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover, and after adjusting the pre-bid market price for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover).

VI Valuation of the scrip consideration options

- 202 If the Scheme is approved and implemented, instead of the All-Cash Alternative, certain eligible McGrath shareholders may elect to receive the Scheme Consideration in the form of one of the following Scrip Consideration Options:
- (a) **RollCo Scrip Alternative** – 1 fully paid ordinary share in RollCo, an unlisted newly incorporated Australian entity, for each McGrath share held, subject to any Scrip Scaleback
 - (b) **Combination of Both** – fully paid ordinary shares in RollCo in exchange for a proportion of their McGrath shares (subject to any Scrip Scaleback) and \$0.60 per share in cash for each remaining McGrath share.
- 203 The Scrip Consideration Options are only available to Australian shareholders and are subject to the Scrip Scaleback provision, whereby the RollCo shares issued to McGrath shareholders is limited to 35% of the McGrath shares on issue (Maximum RollCo Scrip Alternative Threshold)⁵⁶. If elections are received in excess of the Maximum RollCo Scrip Alternative Threshold, then elections would be scaled back on a pro rata basis to the 35% maximum threshold, with McGrath shareholders receiving the All-Cash Alternative in lieu of the scrip consideration in respect of the shares subject to the Scrip Scaleback. McGrath shareholders who elect to receive either the RollCo Scrip Alternative or the Combination of Both will become parties to the Deed.
- 204 Mr John McGrath has stated to McGrath that, subject to no superior proposal emerging and the independent expert concluding (and continuing to conclude) that the Scheme is fair and reasonable and in the best interests of McGrath shareholders, he will elect to receive the RollCo Scrip Alternative for all the McGrath shares that he holds or controls (being approximately 23.3% of the McGrath shares on issue). This also represents approximately 66.6% of the Maximum RollCo Scrip Alternative Threshold⁵⁷.
- 205 We assume that the McGrath shareholders contemplating an election to receive the Scrip Consideration Options will do so with a medium-to-long term investment horizon and will be prepared to co-invest with the Majority Shareholders until a future liquidity event occurs.
- 206 Notwithstanding the above, the following analysis has been undertaken to primarily provide McGrath shareholders with a theoretical value comparison between the All-Cash Alternative and the Scrip Consideration Options. Accordingly, we set out in this section of our report an analysis of the following:
- (a) **underlying value** – our view of the underlying value of the individual components of the Scrip Consideration Options immediately post implementation of the Scheme⁵⁸. Our assessment of the underlying value of the RollCo scrip assumes the holder has 100% control of RollCo and an unfettered ability to transact in the equity securities

⁵⁶ The Scrip Scaleback provisions will apply if in aggregate McGrath's shareholders elect to receive RollCo scrip consideration for more than 35% of the McGrath shares on issue at the Scheme Record Date.

⁵⁷ Noting that the shares held or controlled by Mr McGrath are also subject to the Scrip Scaleback.

⁵⁸ The future underlying value of the RollCo scrip is inherently uncertain and dependent upon a number of factors (e.g. the performance of the business, economic conditions etc.) all of which are unknown at this point in time.

- (b) **realisable value** – our assessment of the extent to which the underlying value could be theoretically realised by McGrath shareholders electing the Scrip Consideration Options (in the immediate or short term post implementation of the Scheme) given that their actual position will be very different to that assumed in respect of the determination of underlying value.

Underlying value of Scrip Consideration Options

Cash element

207 McGrath shareholders who elect to receive the Combination of Both will receive \$0.60 in cash for each McGrath share not exchanged for shares in RollCo. The maximum cash consideration under the Combination of Both option is not limited, however this has been assumed to be 65% (i.e. based on the share cap of 35% of the Scheme Consideration in RollCo shares). The minimum cash consideration under the RollCo Scrip Alternative option is nil (i.e. based on an election to receive 100% of the Scheme Consideration in RollCo shares).

RollCo scrip

- 208 We understand that RollCo and its subsidiary, the Bidder, are special purpose entities established specifically for the purposes of the acquisition of McGrath pursuant to the Scheme. We further understand that should the Scheme be approved and implemented, then RollCo's primary asset will be its equity interest in McGrath (held via its wholly owned subsidiary, the Bidder). Its other assets and liabilities are expected to be limited to those created or incurred as a result of facilitating the implementation of the Scheme.
- 209 As set out in the Scheme Booklet, the cash required by RollCo to fund the acquisition of McGrath will come from an equity contribution from the Bidder. The Bidder will subscribe for between 103.5 million and 124.2 million RollCo shares⁵⁹.
- 210 The number of shares in RollCo that will be held by the Majority Shareholders and McGrath shareholders electing the Scrip Consideration Options immediately post the implementation of the Scheme will differ based on the number of McGrath shareholders that validly elect to receive one of the Scrip Consideration Options (albeit in all scenarios, RollCo will be majority owned by the Majority Shareholders):

RollCo securities on issue ⁽¹⁾	Scrip Consideration Options Election Scenario			
	Min (22.0%) ⁽²⁾		Max (35.0%) ⁽³⁾	
	million	%	million	%
McGrath shareholders	35.0	22.0	55.7	35.0
Majority Shareholders	124.2	78.0	103.5	65.0
Total⁽⁶⁾	159.2	100.0	159.2	100.0

⁵⁹ The equity contributed by the Bidder will depend upon the number of McGrath shareholders that validly elect one of the Scrip Consideration Options. The range outlined above is based on the minimum 22% of McGrath shares on issue (based on the Minimum RollCo Scrip Alternative Threshold) and maximum elections for Scrip Consideration of 35% of the total McGrath shares on issue (based on the Maximum RollCo Scrip Alternative Threshold).

Note:

- 1 Immediately post implementation of the Scheme.
- 2 Min scenario assumes 22% based on the Minimum RollCo Scrip Alternative Threshold.
- 3 Max scenario assumes 35% of McGrath shares on issue will be exchanged for RollCo scrip, based on the Maximum RollCo Scrip Alternative Threshold. Should elections be received from McGrath shareholders with respect to the Scrip Consideration Options which exceed this number of shares, the Scrip Scaleback provisions will apply.

Source: McGrath Scheme Booklet, Section 7.

- 211 Based on the above, in our opinion, the underlying value of RollCo equity on a controlling interest basis (immediately post implementation of the Scheme), after allowance for estimated transaction costs of \$3.4 million⁶⁰, is as follows:

Valuation of RollCo shares on a 100% controlling interest basis⁽¹⁾

	Paragraph	Low \$m	High \$m
Assessed equity value of McGrath business	197	87.0	99.8
Transaction costs related to the Scheme	210	(3.4)	(3.4)
Equity value – controlling interest		83.5	96.2
RollCo shares on issue (million)	209	159.2	159.2
Equity value per RollCo share – controlling interest		0.53	0.61

Note:

- 1 Immediately post implementation of the Scheme.

Conclusion on underlying value of Scrip Consideration Options

- 212 Based on the above, we have assessed the total underlying value of the Scrip Consideration Options immediately post implementation of the Scheme as falling within the following ranges⁶¹:

Scrip Consideration Options – underlying value⁽¹⁾

	Paragraph	Scrip Consideration Options Election Scenario			
		Combination of Both ⁽²⁾		RollCo Scrip Alternative	
		Low \$	High \$	Low \$	High \$
All-Cash Alternative ⁽³⁾	206	0.39	0.39	-	-
Shares in RollCo ⁽⁴⁾	210	0.18	0.21	0.53	0.61
Underlying value of Scrip Consideration Options		0.57	0.60	0.53	0.61

⁶⁰ The estimated transaction costs of \$4.0 million include \$0.6 million related to cash settlement of McGrath Agent Incentives. Since \$0.6 million related to cash settlement of McGrath Agent Incentives has already been factored into our assessed equity value of the McGrath business, the transaction costs have been reduced by this amount.

⁶¹ Noting the numerous cash and scrip consideration combinations available under the Combination of Both option lie between the maximum cash proportion of 100% and nil (i.e. an election of 100% scrip).

Note:

- 1 Immediately post implementation of the Scheme.
 - 2 Represents the All-Cash Alternative proportion of 65% based on the 35% scrip cap in the Scrip Scaleback.
 - 3 Being the assumed cash proportion (i.e. 65%) times the cash offer price of \$0.60 per share.
 - 4 Being the scrip proportion (i.e. 100%) times the underlying value of RollCo shares immediately post implementation of the Scheme.
-

213 Reflective of RollCo's primary asset being the McGrath business (held via its wholly owned subsidiary, the Bidder) and McGrath's transaction and other costs associated with the implementation of the Scheme, we have assessed the midpoint of the underlying value of the Scrip Consideration Options as **being less than the All-Cash Alternative**.

Realisable value (i.e. theoretical cash equivalent) of RollCo shares

214 We consider it important in the overall consideration of the Scheme to highlight that the underlying value of the RollCo shares referred to above does not represent the value that may be realised if McGrath shareholders electing one of the Scrip Consideration Options theoretically sought to dispose of the RollCo shares in the immediate or short term post implementation of the Scheme (i.e. theoretical cash equivalent). This is because the actual position of a McGrath shareholder electing to receive RollCo scrip will be quite different to the determination of underlying value assumed above. In particular, we note that:

- (a) the Majority Shareholders (rather than the McGrath shareholders electing to receive the Scrip Consideration Options) will control RollCo
- (b) RollCo will be an unlisted and illiquid vehicle (i.e. it will not be listed on any securities exchange via which RollCo minority shareholders can easily transact their shares); and
- (c) RollCo (via the Deed) will impose restrictions upon RollCo minority shareholders' ability to dispose of their shares⁶².

215 Given the inherent uncertainty associated with a minority interest in an unlisted and illiquid entity, it is not possible to reliably determine the realisable value (i.e. theoretical cash equivalent) of the RollCo shares in the immediate or short term post implementation of the Scheme. Furthermore, in our opinion, any attempt to do so would be spurious in nature. For example:

- (a) there is no certainty as to when or if a minority shareholder in RollCo could negotiate and complete a transaction
- (b) due to the absence of an organised market for the shares, the realised price (assuming a transaction could even be negotiated and completed) will depend upon (inter alia) the parties involved, their respective positions, relative negotiating / bargaining power etc.

⁶² As detailed in the Deed, no voluntary disposal of shares is permitted by a non Bidder shareholder except (inter alia):

- (a) with the signing of an accession deed poll
- (b) pursuant to drag along / tag along provisions in the Deed
- (c) pursuant to an exit event of the Majority Shareholders.

Minority interest value of RollCo shares

- 216 Minority shareholdings are normally discounted relative to the pro rata value of 100% of the company to reflect the inability of the minority interest shareholder to exert a controlling influence over the major decisions, strategic direction and dividend policy of the company and the fundamental inability to access the underlying cash flows.
- 217 Whilst the Deed provides certain rights to RollCo shareholders⁶³, the situation faced by the minority shareholders in RollCo will essentially be no different to that faced by minority shareholders generally.
- 218 Furthermore, RollCo shares will not be listed on any securities exchange, and the Deed provides for restrictions on the transfer of shares. Whilst the Deed provides for a number of alternative exit mechanisms, it is however inherently uncertain when a liquidity event will occur to allow RollCo minority shareholders generally to realise their shares in RollCo.
- 219 Accordingly, when valuing RollCo shares in the hands of McGrath shareholders who receive RollCo shares as consideration under the Scheme it is appropriate to apply both a minority interest discount and a further discount to reflect the subsequent lack of marketability / liquidity.

Minority interest discounts

- 220 The most readily available quantitative measure for calculating the appropriate discount for minority interests in widely held listed companies can be obtained by analysing the takeover premiums paid by companies which acquire control of other companies. Empirical research undertaken by LEA⁴³ indicates that premiums paid for control are generally in the order of 30% to 35% above the market price (of listed minority shareholdings) prior to the announcement of a takeover offer (and assuming the market price does not already reflect anticipation of an imminent offer).
- 221 From this data the average discount for minority interests in widely held listed companies (relative to full underlying value or value of a 100% controlling interest) can be calculated as follows:

$$M = 1 - (1 / (1 + C))$$

Where:

M = The minority interest discount
C = The control premium

- 222 That is, a 30% to 35% control premium is equivalent to a minority interest discount of 23% to 26%. However, in practice, minority discounts of 20% to 25% are often applied.

⁶³ RollCo shareholders have the rights to appoint, remove or replace a director if they hold 10% of the shares in McGrath.

Discounts for lack of marketability

- 223 Discounts for lack of marketability / liquidity vary more widely, and are generally dependent on the specific circumstances.
- 224 In the case of RollCo, as noted above, RollCo shares will not be listed on any securities exchange, there are restrictions on the transfer of shares, and it is inherently uncertain when a liquidity event will occur to allow RollCo minority shareholders generally to realise their shares in RollCo. However it is reasonable to assume that RollCo will either seek a liquidity event in the medium term, and/or provide RollCo shareholders with the ability to realise their investment in the medium term (subject to RollCo's preferences, prevailing market conditions, the performance of the McGrath business and other factors which may be considered relevant at the time). Nonetheless, some discount for lack of marketability is appropriate.

Conclusion on the Scrip Consideration Options

- 225 As stated above, as McGrath shareholders who elect to receive RollCo shares will be minority shareholders in RollCo, and RollCo shares will not be listed on any securities exchange, it is appropriate when valuing RollCo shares in the hands of McGrath shareholders to apply discounts for minority interest and lack of marketability. As a result, we consider that the theoretical realisable value of each of the Scrip Consideration Options (after allowing for these discounts) is less than the All-Cash Alternative.
- 226 McGrath shareholders who elect to receive either of the Scrip Consideration Options should also be aware that, after the first anniversary of the implementation of the Scheme, the RollCo Board will have the power to require a shareholder in RollCo who holds shares which had, at the time of the implementation of the Scheme, an aggregate value of \$10,000⁶⁴ or less, to dispose of their shares in RollCo at a fair market value price determined by an independent valuer. That is, such shareholders may be forced to sell their shares in RollCo in any event after one year following the implementation of the Scheme.

⁶⁴ Equating to 16,667 shares in McGrath.

VII Evaluation of the Scheme

227 In our opinion, the Scheme is fair and reasonable and in the best interests of McGrath shareholders in the absence of a superior proposal. We have formed this opinion (based on the All-Cash Alternative) for the reasons set out below.

Assessment of fairness

Value of McGrath

228 As set out in Section V we have assessed the value of McGrath ordinary shares on a 100% controlling interest at between \$0.55 and \$0.63 per share.

Value of Scheme Consideration

229 McGrath shareholders may elect to receive the Scheme Consideration as either the All-Cash Alternative or one of two Scrip Consideration Options⁶⁵ (i.e. the RollCo Scrip Alternative and the Combination of Both) subject to rounding and the Scrip Scale Back. In addition and subject to the conditions set out in paragraph 4, McGrath shareholders may also receive the Permitted Dividend.

All-Cash Alternative

230 As stated above, the All-Cash Alternative is \$0.60 in cash per McGrath share. The All-Cash Alternative is the default consideration⁶⁶ option under the Scheme.

Value of Scrip Consideration Options

231 As set out in Section VI (paragraph 211), we have assessed the underlying value of the Scrip Consideration Options in the immediate or short term post implementation of the Scheme at between \$0.53 and \$0.61 per McGrath share. The midpoint value of the Scrip Consideration Options is therefore less than the All-Cash Alternative.

232 Further, this assessment of underlying value assumes the holder of RollCo scrip has 100% control of RollCo and an unfettered ability to transact in the equity securities. **It is important for shareholders considering taking up the Scrip Consideration Options to note that the underlying values do not incorporate any minority interest or lack of marketability / illiquidity discounts and accordingly, do not represent the values that may be realised if they theoretically sought to dispose of the RollCo scrip in the immediate or short term post implementation of the Scheme (i.e. theoretical cash equivalent).**

233 We have not quantified the size of these discounts as:

- (a) the midpoint value of the Scrip Consideration Options (even before applying any discount for minority interests and lack of marketability) is less than the All-Cash Alternative
- (b) the actual position for each McGrath shareholder will vary and there is no certainty as to when or if a shareholder in RollCo could negotiate and complete a transaction

⁶⁵ Other than shareholders who reside outside Australia (Ineligible Foreign Shareholders) except in certain circumstances at McGrath and the Bidder's discretion.

⁶⁶ In the event of no election being made or an invalid election being made.

- (c) McGrath shareholders who elect to receive the Scrip Consideration Options should only do so if they are prepared to co-invest with the Bidder in the medium-to-long term and until a future liquidity event occurs, and are prepared to accept the related voting and liquidity restrictions attaching to an investment in RollCo.

234 As an alternative, for the benefit of those McGrath shareholders considering an election to receive one of the Scrip Consideration Options, we set out in Section VI the range of discounts often applied in practice. McGrath shareholders should note that after allowing for these discounts, the realisable value of the Scrip Consideration Options immediately post implementation of the Scheme is likely to be materially less than our valuation of the Scrip Consideration Options, and as noted above, at the mid-point this is less than both the All-Cash Alternative and our valuation of McGrath shares.

235 For the purpose of our report we have therefore assumed that McGrath shareholders (other than Mr John McGrath and those McGrath shareholders who, based on their own assessment⁶⁷, choose to retain an interest in the McGrath business notwithstanding the above disadvantages) will elect the All-Cash Alternative rather than either of the Scrip Consideration Options.

Conclusion on Scheme Consideration

236 **Having regard to the above, for the purposes of our report we have evaluated the Scheme by reference to the value of the All-Cash Alternative only.** We note that this approach is consistent with the McGrath Board's:

- (a) recommendation of the Scheme to McGrath shareholders, in the absence of a superior proposal and subject to the independent expert concluding that the Scheme is in the best interests of McGrath shareholders
- (b) decision to make no recommendation in relation to whether McGrath shareholders should elect to receive any of the Scrip Consideration Options.

Fairness

237 Pursuant to RG 111 the Scheme is "fair" if the value of the Scheme Consideration (being the All-Cash Alternative for the purposes of our assessment) is equal to, or greater than the value of the securities the subject of the Scheme. This comparison for McGrath shareholders is shown below:

Comparison of Scheme Consideration to value of McGrath			
	Low	Mid-point	High
	\$ per share	\$ per share	\$ per share
Value of All-Cash Alternative	0.60	0.60	0.60
Value of McGrath on a 100% controlling interest basis	0.55	0.59	0.63
Extent to which the All-Cash Alternative exceeds (or is less than) the value of McGrath	0.05	0.01	(0.03)

⁶⁷ McGrath shareholders who elect to accept either of the Scrip Consideration Options should form their own views as to value, their expectations about future economic and market conditions and their particular personal circumstances including their risk profile, liquidity preference, investment strategy, portfolio structure and tax position.

- 238 As the All-Cash Alternative lies within our assessed valuation range for McGrath shares on a 100% controlling interest basis, in our opinion, the All-Cash Alternative is fair to McGrath shareholders when assessed in accordance with the guidelines set out in RG 111.
- 239 McGrath shareholders may also be entitled to receive the Permitted Dividend, subject to the level of Net Cash Reserves held by McGrath as at 31 May 2024. However, the amount of the Permitted Dividend will depend on the performance and net cash flow generated by McGrath up to and including 31 May 2024 and the transaction costs incurred (or expected to be incurred), and is subject to the McGrath Board declaring the dividend in its discretion.

Assessment of “reasonableness” and “in the best interests”

- 240 Pursuant to RG 111, a transaction is “reasonable” if it is “fair”. **As all McGrath shareholders can elect to receive the All-Cash Alternative (which we have assessed as fair), in our opinion, the Scheme is also reasonable.**
- 241 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company.
- 242 Generally, in our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders. This is because if the consideration payable pursuant to a scheme is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 243 We therefore consider that the Scheme (based on the All-Cash Alternative) is also in the best interests of McGrath shareholders in the absence of a superior proposal.

Other considerations

- 244 In assessing whether the Scheme is “reasonable” and “in the best interests” of McGrath shareholders LEA has also considered (and discussed in detail below), in particular:
- (a) the extent to which a control premium is being paid to McGrath shareholders
 - (b) the extent to which McGrath shareholders are being paid a share of any synergies likely to be generated pursuant to the Scheme
 - (c) the listed market price of McGrath shares, both prior to and subsequent to the announcement of the proposed Scheme
 - (d) the likely market price of McGrath shares if the proposed Scheme is not approved
 - (e) the value of McGrath to an alternative offeror and the likelihood of a higher alternative offer being made for McGrath prior to the date of the Scheme meeting
 - (f) other qualitative and strategic issues associated with the Scheme; and
 - (g) the advantages and disadvantages of the Scheme from the perspective of McGrath shareholders.

Extent to which a control premium is being paid

- 245 It is customary when assessing the merits of a proposed change of control transaction to assess the extent of the premium offered under the proposal by comparing the offer to the pre-

bid market prices of the target company's shares. Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the unaffected market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price)⁴³. This premium range reflects the fact that:

- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
- (b) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
- (c) a controlling shareholder has the potential to increase the value of the entity being acquired through synergies and/or rationalisation savings
- (d) the controlling shareholder can direct the disposal of surplus assets and redeployment of the proceeds.

246 We have calculated the premium implied by the All-Cash Alternative by reference to the market prices of McGrath shares for periods up to and including 22 March 2024 (being the trading day prior to the announcement of the Scheme).

Implied offer premium relative to McGrath share prices prior to the Scheme		
	McGrath share price \$	Implied offer premium %
All-Cash Alternative	0.60	
Closing share price on 22 March 2024 ⁽¹⁾	0.47	27.7
1 month VWAP to 22 March 2024	0.51	17.1
3 month VWAP to 22 March 2024	0.48	25.8

Note:

1 Being the last trading day prior to the announcement of the Scheme.

Source: FactSet and LEA analysis.

247 Based on the one and three month VWAPs, the All-Cash Alternative provides McGrath shareholders with an implied premium that is lower than observed premiums generally paid in comparable circumstances. Also, the premium to the McGrath closing share price on 22 March 2024 is slightly lower than observed premiums generally paid in comparable circumstances.

248 However, as the All-Cash Alternative is consistent with our assessed valuation range for McGrath shares, in our view, McGrath shareholders are being compensated for the fact that control of McGrath will pass to the Bidder if the Scheme is approved and implemented.

Extent to which McGrath shareholders are being paid a share of synergies

249 If the Scheme is implemented, the Bidder intends to undertake a detailed review of the business' assets and operations. Subject to the findings of the post-acquisition review, the Bidder's current intention is to continue to operate the business substantially in its current

form in the near term while actively pursuing acquisition and expansion opportunities available to McGrath. The Bidder has also stated that it intends to retain McGrath's Sydney head office.⁶⁸

- 250 Accordingly, McGrath management have estimated that any synergies associated with the Scheme are likely to be confined to cost savings resulting from the potential delisting of McGrath from the ASX and related regulatory matters no longer required. Such cost savings are inherent when listed companies are acquired and are typically one of the reasons why acquirers pay a control premium to target company shareholders.
- 251 Further, as noted in Section V, our assessed value of McGrath (on a 100% controlling interest basis) incorporates an allowance for the synergy benefits associated with public company and other similar cost savings. Accordingly, as the All-Cash Alternative is consistent with our assessed value range, we are of the view that McGrath shareholders are being paid an appropriate share of the value of any synergy benefits which may potentially arise from the acquisition.

Share prices subsequent to the announcement of the Scheme

- 252 Shareholders should note that McGrath shares have traded in the range of \$0.585 to \$0.60 per share in the period since the Scheme was announced up to and including 12 April 2024 (and closed at \$0.60). The VWAP over this period was \$0.59 per share.
- 253 These share prices are slightly lower than the All-Cash Alternative. In our view, the trading above suggests that in the absence of a superior proposal the consensus market view is that the Scheme is likely to be successful.

Likely price of McGrath shares if the Scheme is not implemented

- 254 If the Scheme is not implemented we expect that, at least in the short term, McGrath shares will trade at a significant discount to our valuation and the All-Cash Alternative due to the difference between the value of McGrath shares on a portfolio basis and their value on a 100% takeover (or control) basis. In this regard we note that McGrath shares last traded at \$0.47 per share on 22 March 2024 (being the last trading day prior to the announcement of the Scheme).
- 255 Notwithstanding, if the Scheme is not implemented, those McGrath shareholders who wish to sell their McGrath shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will be payable under the Scheme.

Likelihood of an alternative offer

- 256 We have been advised by the Directors of McGrath that no formal alternative offers have been received subsequent to the announcement of the Scheme on 22 March 2024.
- 257 Whilst there has effectively been (and remains) an opportunity for third parties contemplating an acquisition of McGrath to table a proposal before the McGrath Board, McGrath shareholders should note:
- (a) Mr John McGrath has indicated that he intends to participate in the Scrip Consideration Options. Mr McGrath collectively holds or control some 23.3% of McGrath shares on

⁶⁸ Source: Section 6.5 of the Scheme Booklet.

issue and any change of control transaction concerning McGrath would implicitly require his support

- (b) the McGrath Directors, who in aggregate hold or control 48.1% of the McGrath shares on issue (including Mr John McGrath), intend to vote in favour of the Scheme, in each case subject to no superior proposal emerging and the independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of McGrath shareholders
- (c) the exclusivity (and break fee of \$0.955 million) obligations on McGrath pursuant to the SID, which are summarised in Section I of this report and discussed in further detail in the Scheme Booklet.

258 Although it is possible that a formal alternate offer / superior proposal may emerge, in our opinion, the factors set out above reduce the likelihood of this occurring.

Summary of opinion on the Scheme

259 We summarise below the likely advantages and disadvantages for McGrath shareholders if the Scheme (being the All-Cash Alternative for the purposes of our assessment) proceeds.

Advantages

260 In our opinion, the Scheme has the following benefits for McGrath shareholders:

- (a) the All-Cash Alternative of \$0.60 per share is consistent with our assessed value range for McGrath shares on a 100% controlling interest basis
- (b) the All-Cash Alternative represents a premium to the recent market prices of McGrath shares prior to the announcement of the Scheme on 22 March 2024
- (c) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, McGrath shares are likely to trade at a significant discount to our valuation and the All-Cash Alternative due to the portfolio nature of individual shareholdings.

Disadvantages

261 McGrath shareholders who elect to receive the All-Cash Alternative should note that if the Scheme is implemented they will no longer hold an interest in McGrath. McGrath shareholders receiving the All-Cash Alternative option will therefore not participate in any future value created by the Company over and above that reflected in the All-Cash Alternative.

262 However, as our assessed value of McGrath shares is consistent the All-Cash Alternative, in our opinion, the present value of McGrath's future potential is reflected in the All-Cash Alternative.

Conclusion

263 Given the above analysis, we consider the advantages of the Scheme (based on the All-Cash Alternative) to outweigh the disadvantages. Accordingly, in our view, the acquisition of McGrath shares under the Scheme is fair and reasonable to and therefore in the best interests of McGrath shareholders in the absence of a superior proposal.

Other matters relevant to Scrip Consideration Options

- 264 Eligible McGrath shareholders who wish to retain an economic interest in McGrath's business operations and assets have an opportunity to do so (albeit on a diluted basis) by validly electing to receive one of the Scrip Consideration Options.
- 265 However, it is important for shareholders considering taking up the Scrip Consideration Options to note that an investment in RollCo is not the same as an investment in McGrath and will have different characteristics. In particular, we note the following:
- (a) Knight Frank Australia and Bayleys (i.e. the Majority Shareholders) will have a majority interest (not less than 65%) and therefore control of RollCo. The situation faced by shareholders in RollCo will fundamentally be no different to that faced by minority shareholders generally (and due to the size of the Majority Shareholders' controlling interest, arguably a less advantageous situation than currently faced by existing minority shareholders in McGrath). Minority interests are normally discounted relative to the pro rata value of a 100% controlling interest
 - (b) RollCo will be an unlisted entity with no public market for the trading of RollCo shares and the Deed will provide only limited liquidity mechanisms for minority shareholders in RollCo. Accordingly, there is no guarantee as to whether, or when, RollCo minority shareholders may be able to dispose of (either part or all of) their RollCo scrip (and at what price). Illiquid investments are ordinarily subject to a discount to reflect their lack of marketability.
- 266 McGrath shareholders who elect to receive the Scrip Consideration Options should also be aware that:
- (a) as set out in Section VI, we have assessed the midpoint value of the Scrip Consideration Options as being less than the All-Cash Alternative (which is primarily due to McGrath's transaction costs to be incurred by RollCo)
 - (b) they are electing to retain a minority (and illiquid) economic interest in McGrath and thereby forgoing an immediate opportunity to receive an amount (i.e. All-Cash Alternative) that, in our opinion, is consistent with the value of a 100% controlling interest in McGrath
 - (c) they will retain an exposure to the ongoing risks and uncertainties associated with an investment in McGrath including (inter alia) those risks associated with the execution of its long term strategy. In contrast, the All-Cash Alternative provides cash (value) certainty in this regard
 - (d) after the first anniversary of the implementation of the Scheme, the RollCo Board will have the power to require a shareholder in RollCo who holds shares which had, at the time of the implementation of the Scheme, an aggregate value of \$10,000⁶⁹ or less to dispose of their shares in RollCo at a fair market value price determined by an independent valuer. That is, such shareholders may be forced to sell their shares in RollCo in any event after one year following the implementation of the Scheme.

⁶⁹ Equating to 16,667 shares in McGrath.

267 The Scrip Consideration Options are only likely to be appropriate for sophisticated investors that are prepared to co-invest with the Majority Shareholders until a future liquidity event occurs and accept the related voting, dividend and liquidity restrictions attaching to their investment in RollCo. McGrath shareholders contemplating such an investment should seek independent professional advice.

268 LEA offers no recommendation in relation to the Scrip Consideration Options⁷⁰.

⁷⁰ We note that this approach is consistent with the McGrath Board's decision to make no recommendation in relation to the Scrip Consideration Options.

A Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532, which authorises it to provide a broad range of financial services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

Financial Services Guide

- 3 LEA has been engaged by McGrath to provide general financial product advice in the form of an IER in relation to the Scheme. The *Corporations Act 2001 (Cth)* (Corporations Act) requires that LEA include this Financial Services Guide (FSG) with our IER.
- 4 This FSG is designed to assist retail clients in their use of the general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

General financial product advice

- 5 The IER contains general financial product advice only and has been prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 6 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$100,000 plus GST.
- 7 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
- 8 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

Appendix A

- 9 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 10 If you have a complaint, please raise it with us first. LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

- 11 We will endeavour to satisfactorily resolve your complaint in a timely manner. Please note that LEA is only responsible for the preparation of this IER. Complaints or questions about the Scheme Booklet should not be directed toward LEA as it is not responsible for the preparation of this document.
- 12 If we are not able to resolve your complaint to your satisfaction within 30 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Compensation arrangements

- 13 LEA has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of the Corporations Act.

Appendix B

B Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Ms Julie Planinic and Mr Jorge Resende, who are each authorised representatives of LEA. Ms Planinic and Mr Resende have over 24 years and 22 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of McGrath to accompany the Scheme Booklet to be sent to McGrath shareholders. It is not intended that this report serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of McGrath shareholders.
- 4 LEA expressly disclaims any liability to any McGrath shareholder who relies or purports to rely on our report for any other purpose and to any other party who relies or purports to rely on our report for any purpose whatsoever.

Interests

- 5 At the date of this report, neither LEA, Ms Planinic nor Mr Resende have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 6 LEA has not had within the previous two years, any business or professional relationship with McGrath or the Bidder or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.
- 7 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.
- 8 LEA has had no part in the formulation of the Scheme. Its only role has been the preparation of this report.

Indemnification

- 9 As a condition of LEA's agreement to prepare this report, McGrath has agreed to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of McGrath which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Appendix B

Consents

- 10 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

C Valuation methodology

Valuation approaches

- 1 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, schemes of arrangement, takeovers, share buy-backs, selective capital reductions and prospectuses. These include:
 - (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 2 Under the DCF methodology the value of the business is equal to the net present value of the estimated future cash flows including a terminal value. In order to arrive at the net present value the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 3 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 4 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax and amortisation of acquired intangibles (EBITA), EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

Appendix C

- 5 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

D Listed real estate service companies

Australian real estate companies⁷¹

The Agency Group Australia Ltd

- 1 The Agency Group Australia Limited is an integrated real estate services group. The company is comprised of three service categories, including property sales, property management and ancillary services. Ancillary services include mortgage broker services, financial planning and conveyancing. As at 31 December 2023, Agency Group Australia had 411 agents across six states in Australia.

International real estate franchisor companies

RE/MAX Holdings Incorporated

- 2 RE/MAX Holdings is a franchisor in the real estate industry, franchising real estate brokerages globally under the RE/MAX brand and mortgage brokers within the United States of America (US) under the Motto Mortgage brand. The company does not own any of the brokerages that operate under its brands. As at 31 December 2023, the RE/MAX Holdings network comprised over 140,000 agents in more than 9,000 offices worldwide, as well as 225 Motto Mortgage locations in the US.

The Property Franchise Group PLC

- 3 The Property Franchise Group is a franchisor of residential real estate agencies across the UK. The group's brands are Martin & Co, EweMove, Hunters, CJ Hole, Ellis & Co, Parkers, Whitegates and Mullucks & Country Properties. As at 30 June 2023, the company had a network of over 350 franchise owners managing over 73,000 tenanted properties through 580 branches in the UK.

Bridgemarq Real Estate Services Incorporated

- 4 Bridgemarq Real Estate Services is a provider of services to residential real estate agents and realtors across Canada. The company generates cash flow primarily from fixed and variable franchise fees that are received from real estate agents and realtors operating under the Royal LePage, Via Capitale and Johnston & Daniel brands. As at 30 September 2023, Bridgemarq Real Estate Services' network comprised of 20,796 realtors operating under 288 franchise agreements from 729 locations (28 of these corporately owned).

M Winkworth PLC

- 5 M Winkworth is a UK based franchisor of residential real estate agencies. The company's core business is the franchising of real estate agency sales, residential lettings and property management services under the brand name Winkworth. It also offers additional products such as financial services, auctions, surveying and commercial property sales. M Winkworth has a network of over 95 offices which are located primarily throughout the UK as well as Spain and China.

⁷¹ The McGrath profile section (i.e. Section III) has a detailed overview of the McGrath business.

International real estate service companies

Anywhere Real Estate Incorporated

- 6 Anywhere Real Estate is the largest real estate franchisor in the US. Its portfolio of brands includes Century 21, Coldwell Banker, ERA, Sotheby's International Realty and Better Homes and Gardens Real Estate. The company operates in four segments: Real Estate Franchise Services, Company Owned Real Estate Brokerage Services, Relocation Services, and Title and Settlement Services. As at 31 December 2023, Anywhere Real Estate had a network of approximately 18,900 offices across 119 countries worldwide (which included 620 company owned brokerage offices).

LSL Property Services PLC

- 7 Headquartered in the UK, LSL Property Services is a provider of residential property services worldwide. The company's services include residential sales, lettings, surveying, conveyancing, mortgage broking, valuations, asset management and property management services. The company operates across three segments; Financial Services, Estate Agency Services, and Surveying and Valuation Services. As at 31 December 2023, the company's real estate branch network included 120 franchised branches and 183 company owned branches.

E Glossary

Term	Meaning
AASB 16	Australian Accounting Standard AASB 16 – <i>Leases</i>
ABS	Australian Bureau of Statistics
AFCA	Australian Financial Complaints Authority
All-Cash Alternative	Cash amount of \$0.60 for each McGrath share held on the Scheme Record Date
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Bayleys	BCL Aus Holdings Limited
Bayleys Corp	Bayley Corporation Limited
Bidder	RPAA Holdings Pty Ltd
Combination of Both	Fully paid ordinary shares in RollCo in exchange for a proportion of their McGrath shares held on the Scheme Record Date (subject to any Scrip Scaleback) and \$0.60 per share in cash for each remaining McGrath share
Company Owned Property Management	McGrath’s residential property management business segment
Company Owned Sales	McGrath’s residential property sales business segment
Consortium	Collectively, Knight Frank Australia and Bayleys
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Corporations Regulations	<i>Corporations Regulations 2001</i>
DCF	Discounted cash flow
Deed	RollCo Shareholders’ Deed
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax depreciation and amortisation
EV	Enterprise value
Franchise Services	McGrath’s franchise offices segment, which manages franchise offices that undertake both property sales and property management activities
FSG	Financial Services Guide
FY	Financial year
Gross Commission Income	Fixed percentage of total sales commission paid on the sale of a property
Honey	Honey Insurance Pty Limited
IER	Independent expert’s report
Ineligible Foreign Shareholders	McGrath shareholders who reside outside Australia except in certain circumstances at McGrath and the Bidder’s discretion
Knight Frank Australia	Knight Frank Australia Holdings Pty Ltd
LEA	LonerGAN EDWARDS & ASSOCIATES LIMITED
LTM23	Last 12 months to 31 December 2023
Majority Shareholders	Knight Frank Australia and Bayleys
Maximum RollCo Scrip Alternative Threshold	35% of the McGrath shares on issue
McGrath / the Company	McGrath Limited
McGrath Central Coast	McGrath Central Coast franchise business
McGrath Agent Incentives	2.400 million rights issued under the McGrath Agent Share Plan, which are subject to service conditions
McGrath Long-Term Incentives	3.244 million performance rights issued to senior executives and agents under McGrath’s Employee Share Plan which are subject to performance and service conditions
Minimum RollCo Scrip Alternative Threshold	McGrath shareholders holding at least 22% of the McGrath shares on issue making valid elections to receive RollCo scrip as consideration under the Scheme
Net Cash Reserves	McGrath’s cash and cash equivalents as at 31 May 2024

Appendix E

Term	Meaning
NSW	New South Wales
NZ	New Zealand
Other Segments	McGrath's reporting segment incorporating complementary services including auction services, training services, its marketing fund, and investments in associates
Oxygen	Oxygen Capital Group Limited
Permitted Dividend	A fully franked dividend entitled to be paid by McGrath prior to the implementation of the Scheme, subject to the McGrath Board's discretion and having regard to a number of other factors. The cash amount of the Permitted Dividend will be determined based on McGrath's Net Cash Reserves as at 31 May 2024, provided that McGrath's Net Cash Reserves at that time is not below \$23 million after deducting the Permitted Dividend and adding back any transaction costs which have been paid (including GST) and adjusting for overall transaction costs to the extent above or below \$4 million (excluding GST)
PUM	Properties under management
RBA	Reserve Bank of Australia
REIA	Real Estate Institute of Australia
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
RollCo	RPAA Investments Limited
RollCo Scrip Alternative	1 fully paid share in RollCo for each McGrath share held on the Scheme Record Date, subject to any Scrip Scaleback
Scheme	Scheme of arrangement between McGrath and its shareholders
Scheme Consideration	Collectively, the All-Cash Alternative, the RollCo Scrip Alternative and the Combination of Both
Scrip Consideration Options	The RollCo Scrip Alternative and the Combination of Both
Scrip Scaleback	Scaleback mechanism to ensure that the total number of ordinary shares in RollCo issued to McGrath shareholders does not exceed the Maximum RollCo Scrip Alternative Threshold
SID	Scheme Implementation Deed dated 24 March 2024
Smollen Group	A group of trusts and companies that operated McGrath's largest franchise network at the time of listing on the ASX in December 2015
UK	United Kingdom
US	United States of America
VWAP	Volume weighted average price
WANOS	Weighted average number of shares outstanding

Annexure 2

Scheme of arrangement



HERBERT
SMITH
FREEHILLS

Scheme of arrangement - share scheme

McGrath Limited

Scheme Shareholders



Scheme of arrangement – share scheme

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

McGrath Limited ACN 608 153 779 of 55 Pymont Street, Pymont
NSW 2009 (**McGrath**)

The Scheme Shareholders

1 Definitions, interpretation and scheme components

1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

1.3 Scheme components

This Scheme includes any schedule to it.

2 Preliminary matters

- (a) McGrath is a public company limited by shares, registered in Victoria, Australia, and has been admitted to the official list of the ASX. McGrath Shares are quoted for trading on the ASX.
- (b) Bidder is a proprietary company limited by shares registered in Victoria, Australia.
- (c) Rollco is an unlisted public company limited by shares registered in Victoria, Australia.
- (d) If this Scheme becomes Effective:
 - (1) Bidder and Rollco must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with their respective obligations under the terms of this Scheme and the Deed Poll; and



- (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder and McGrath will enter the name of Bidder in the Share Register in respect of the Scheme Shares.
- (e) McGrath and Bidder have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to Bidder and Rollco but does not itself impose an obligation on them to perform those actions. Bidder and Rollco have agreed, by executing the Deed Poll, to perform the actions attributed to them under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect (and will not become Effective) until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 5 of the Implementation Deed (other than the condition in clause 5.1(c) in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Bidder and McGrath;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Bidder and McGrath having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date McGrath and Bidder agree in writing).

3.2 Certificate

- (a) McGrath and Bidder will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 End Date

This Scheme will lapse and be of no further force or effect if:



- (a) the Effective Date does not occur on or before the End Date; or
 - (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,
- unless McGrath and Bidder otherwise agree in writing.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

McGrath must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 5.3(b), 5.3(c) and 5.4, the Scaleback Arrangements and Bidder having provided McGrath with written confirmation of the provision of the Scheme Consideration, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by McGrath as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (1) McGrath delivering to Bidder a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by McGrath; and
 - (2) Bidder duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to McGrath for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), McGrath must enter, or procure the entry of, the name of Bidder in the Share Register as the registered holder of all the Scheme Shares.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

- (a) The Scheme Consideration in respect of each Scheme Share is either:
 - (1) the All-Cash Alternative; or
 - (2) the Rollco Scrip Alternative.
- (b) Each Scheme Shareholder is entitled to receive either the All-Cash Alternative or the Rollco Scrip Alternative in respect of each Scheme Share held by that Scheme Shareholder, subject to the terms of this Scheme.



5.2 Election

- (a) A Scheme Shareholder, other than an Ineligible Foreign Shareholder, may make an election to receive either the All-Cash Alternative or the Rollco Scrip Alternative, or a combination of both, for all of their Scheme Shares (**Election**) by validly completing the Election Form, such Election being subject to the terms of this Scheme including without limitation clauses 5.2(b), 5.5, 5.6 and 5.9.
- (b) Rollco must not issue any Rollco Scrip Alternative under this Scheme to or in respect of any Ineligible Foreign Shareholder. Accordingly, no Ineligible Foreign Shareholder may make a valid Election to receive the Rollco Scrip Alternative (and any such purported Election by or on behalf of an Ineligible Foreign Shareholder is void and of no effect), and neither Bidder nor Rollco is under any obligation to issue or procure the issue of the Rollco Scrip Alternative to any Ineligible Foreign Shareholder.
- (c) Subject to clause 5.2(i), for an Election to be valid:
- (1) the Scheme Shareholder must not be an Ineligible Foreign Shareholder;
 - (2) the Scheme Shareholder must complete and sign the Election Form in accordance with the instructions in the Scheme Booklet and the terms and conditions set out in the Election Form; and
 - (3) the Election Form must be received by the McGrath Registry by the Election Time at the address specified by McGrath in the Scheme Booklet and on the Election Form.
- (d) A Scheme Shareholder that makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election Form (such form to be requested from the McGrath Registry), provided such replacement Election Form is received by the McGrath Registry by the Election Time.
- (e) If:
- (1) a valid Election is not made by a Scheme Shareholder;
 - (2) the Scheme Shareholder is an Ineligible Foreign Shareholder; or
 - (3) no Election is made by a Scheme Shareholder,
- then that Scheme Shareholder will be deemed to have elected to receive All-Cash Alternative in respect of all of their Scheme Shares.
- (f) Subject to clause 5.2(i) and the Scaleback Arrangements, if a Scheme Shareholder makes a valid Election to receive the Rollco Scrip Alternative in respect of only some of its Scheme Shares, and makes no Election or an invalid Election in respect of the remainder of its Scheme Shares, the Scheme Shareholder will be deemed to have elected to receive the Rollco Scrip Alternative in respect of all of its Scheme Shares and not only those Scheme Shares for which the Scheme Shareholder made a valid Election to receive the Rollco Scrip Alternative.
- (g) Subject to clause 5.2(i), if a Scheme Shareholder makes a valid Election to receive the All-Cash Alternative in respect of only some of its Scheme Shares, and makes no Election or an invalid Election in respect of the remainder of its Scheme Shares, the Scheme Shareholder will be deemed to have elected to receive the All-Cash Alternative in respect of all of its Scheme Shares and not only those Scheme Shares for which the Scheme Shareholder made a valid Election to receive the All-Cash Alternative.



- (h) Subject to this clause 5.2, 5.4 and the Scaleback Arrangements, if a Scheme Shareholder makes a valid Election, that Election will be deemed to apply in respect of that Scheme Shareholder's entire registered holding of Scheme Shares at the Scheme Record Date, regardless of whether the Scheme Shareholder's holding of Scheme Shares at the Scheme Record Date is greater or less than the Scheme Shareholder's holding at the time it made its Election.
- (i) In the manner considered appropriate by McGrath (acting reasonably after consultation with the Bidder and the McGrath Registry), a Scheme Shareholder who holds one or more parcels of McGrath Shares as trustee, nominee or custodian for, or otherwise on account of, another person, may make separate Elections in relation to each of those parcels of Scheme Shares, and if it does so will be treated as a separate Scheme Shareholder in respect of each such parcel in respect of which a separate Election is made (and in respect of any balance of its holdings), provided that if, at the Scheme Record Date, it holds fewer McGrath Shares than it held at the time it made the Election, then, unless it has at the time of any sale of McGrath Shares notified McGrath whether the McGrath Shares sold relate to any such separate Election (and if so which separate Election the McGrath Shares sold relate to), it will be treated as not having made a valid Election in respect of any of its McGrath Shares (or will be treated in any other manner that Bidder and McGrath agree is fair to the McGrath Shareholder, in all the circumstances acting reasonably).
- (j) Subject to clauses 5.2(k) and 5.2(l), an Election Form will not be valid unless it is completed and received in accordance with the procedures set out in clause 5.2(c).
- (k) McGrath will determine, in its sole discretion (after consulting with Bidder in good faith), all questions as to the correct completion of an Election Form, and time of receipt of an Election Form. McGrath is not required to communicate with any Scheme Shareholder prior to making this determination. The determination of McGrath will be final and binding on the Scheme Shareholder.
- (l) Notwithstanding clause 5.2(c), with the prior written consent of Bidder (such consent not to be unreasonably withhold or delayed), McGrath may at any time and without further communication to the relevant Scheme Shareholder, deem any Election Form it receives from a Scheme Shareholder to be a valid Election in respect of the relevant Scheme Shares, even if a requirement for a valid Election has not been complied with.

5.3 Provision of the All-Cash Alternative

- (a) Bidder must by no later than the Business Day before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the All-Cash Alternative payable to all Scheme Shareholders in accordance with this Scheme into an Australian dollar denominated trust account with an authorised deposit-taking institution (as defined in the *Banking Act 1959* (Cth)) operated by McGrath as trustee for the Scheme Shareholders (**Trust Account**), provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account. The obligation of Bidder to provide, or procure the provision of, the All-Cash Alternative to Scheme Shareholders under this Scheme will be satisfied by the Bidder complying with its obligations under this clause 5.3(a).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.3(a), McGrath must pay or procure the payment of the All-Cash Alternative from the Trust Account, by paying or procuring the payment to each Scheme Shareholder who:



- (1) does not make an Election;
- (2) does not make a valid Election;
- (3) makes or is deemed to make a valid Election to receive the All-Cash Alternative in respect of all (or some) of that Scheme Shareholders' Scheme Shares (including Ineligible Foreign Shareholders in accordance with clause 5.2(e)(2)); or
- (4) makes a valid Election to receive the Rollco Scrip Alternative, to the extent scaled back under the Scaleback Arrangements determined in accordance with the terms of this Scheme.

such amount of cash as is due to that Scheme Shareholder in respect of all of that Scheme Shareholder's Scheme Shares other than those in respect of which the Scheme Shareholder made a valid Election to receive the Rollco Scrip Alternative.

- (c) The obligations of McGrath under clause 5.3(b) will be satisfied by McGrath (in its absolute discretion, and despite any election referred to in clause 5.3(c)(1) or authority referred to in clause 5.3(c)(2) made or given by the Scheme Shareholder):
 - (1) if a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the McGrath Registry to receive dividend payments from McGrath by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (2) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to McGrath; or
 - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.6).
- (d) To the extent that, following satisfaction of McGrath's obligations under clause 5.3(b), there is a surplus in the amount held by McGrath as trustee for the Scheme Shareholders in the Trust Account referred to in that clause, that surplus must be paid by McGrath to Bidder.

5.4 Provision of Rollco Scrip Alternative

- (a) Subject to clauses 5.2 and 5.9 and the Scaleback Arrangements, before 12.00pm (or such other time as Bidder and McGrath may agree in writing) on the Implementation Date, Rollco must:
 - (1) issue the Rollco Scrip Alternative to each Scheme Shareholder who has made a valid Election, or is otherwise deemed to have validly elected, to receive the Rollco Scrip Alternative in accordance with the Scheme in respect of that Scheme Shareholder's Scheme Shares other than those in respect of which the Scheme Shareholder made a valid Election to receive the All-Cash Alternative; and



- (2) procure that the name and address of each Scheme Shareholder to whom the Rollco Scrip Alternative is issued in accordance with clause 5.4(a)(1) is entered in the Rollco Register in respect of the Rollco Scrip Alternative to which it is entitled under the Scheme (either directly or through the Nominee to hold as bare trustee for the relevant Scheme Shareholders as contemplated by clause 5.4(b) and the Shareholders' Deed).
- (b) The Rollco Scrip Alternative in respect of which a Scheme Shareholder is entitled under clause 5.4(a) will be issued either:
 - (1) directly to that Scheme Shareholder (such that the Scheme Shareholder will be the legal holder of the relevant Rollco Scrip Alternative) if that Scheme Shareholder's Rollco Scrip Alternative represents 5% or more of total Rollco Shares; or
 - (2) pursuant to and in accordance with the terms of the Shareholders' Deed, to the Nominee to hold as bare trustee for that Scheme Shareholder (such that the Scheme Shareholder will be the beneficial holder but not the legal holder of the relevant Rollco Scrip Alternative) if that Scheme Shareholder's Rollco Scrip Alternative represents less than 5% of total Rollco Shares.
- (c) On or before the date that is five Business Days after the Implementation Date, Rollco must send, or procure the sending of, a certificate or other holding statement to each Scheme Shareholder and (if applicable) the Nominee entitled to receive Rollco Scrip Alternative under this Scheme, reflecting the issue of such Rollco Scrip Alternative, by express post to their Registered Address or as otherwise validly directed by the relevant Scheme Shareholder or the Nominee (as applicable).

5.5 Scaleback arrangements

- (a) If the Aggregate Scrip Election is less than or equal to the Maximum Scrip Threshold, each Scheme Shareholder who has made a valid Election to receive the Rollco Scrip Alternative will receive the Rollco Scrip Alternative the subject of their valid Elections in full, subject to the other conditions in this Scheme.
- (b) If the Aggregate Scrip Election exceeds the Maximum Scrip Threshold, each Scheme Shareholder (or Nominee on that Scheme Shareholder's behalf) who has made a valid Election to receive the Rollco Scrip Alternative will receive:
 - (1) the Rollco Scrip Alternative in respect of the number of Scheme Shares calculated in accordance with the formula below only (**Scaleback Shares**).
$$\text{Scaleback Shares} = A \times (B / C)$$
where:
 - A** is the number of Scheme Shares the subject of the Scheme Shareholder's valid Election to receive the Rollco Scrip Alternative;
 - B** is the Maximum Scrip Threshold;
 - C** is the Aggregate Scrip Election; *plus*
 - (2) the All-Cash Alternative for:
 - (A) each Scheme Share they hold; *less*
 - (B) the number of Scheme Shares held by the Scheme Shareholder in respect of which the Scheme Shareholder



will receive the Rollco Scrip Alternative as calculated in accordance with clause 5.5(b)(1) above.

- (c) Where the calculation of the Scaleback Shares in respect of a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to receive the Rollco Scrip Alternative in relation to a fraction of a share, the fractional entitlement will be rounded to the nearest whole number, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number.

5.6 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.3(c), any of the All-Cash Alternative payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of McGrath, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders;
- (b) any Rollco Scrip Alternative to be issued under this Scheme must be issued to and registered in the names of the joint holders or, if Rollco Scrip Alternative is issued to the Nominee to hold as bare trustee for the joint holders (as contemplated by clause 5.4), the joint holders will have joint beneficial ownership of that Rollco Scrip Alternative; and
- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of McGrath (or, in the case of clause 5.4(c), Bidder), the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.7 Splitting

- (a) If Bidder is of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds McGrath Shares which results in a fractional entitlement to Scheme Consideration have, before the Scheme Record Date, been party to a shareholding splitting or division (or some other abusive or improper conduct) in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, Bidder may direct McGrath to give notice to those Scheme Shareholders:

- (1) setting out the names and Registered Addresses of all of them;
- (2) stating that opinion; and
- (3) attributing to one of them specifically identified in the notice the McGrath Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of this Scheme, be taken to hold all those McGrath Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of this Scheme, be taken to hold no McGrath Shares. Bidder, in complying with the other provisions of this Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of this Scheme.



5.8 Unclaimed monies

- (a) McGrath may cancel a cheque issued under this clause 5 if the cheque:
 - (1) is returned to McGrath; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to McGrath (or the McGrath Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), McGrath must reissue a cheque that was previously cancelled under this clause 5.7.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in sections 7 and 8 of the *Unclaimed Money Act 1995* (NSW)), but any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidder.

5.9 Orders of a court or Government Agency

If written notice is given to McGrath (or the McGrath Registry), Bidder or Rollco of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by McGrath in accordance with this clause 5, then McGrath shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents McGrath from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, McGrath shall be entitled to (as applicable):
 - (1) retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration; and
 - (2) direct Rollco not to issue, or to issue to a trustee or nominee, any Rollco Scrip Alternative that Scheme Shareholder would otherwise be entitled to under clause 5.4,

until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

5.10 Status of the Rollco Scrip Alternative

Subject to this Scheme becoming Effective, Rollco and Bidder must:

- (a) issue (or procure the issue of) the Rollco Scrip Alternative required to be issued under this Scheme on terms such that each share forming part of the Rollco Scrip Alternative will rank equally in all respects with each existing share (if any) of the same class and will have the rights set out in the Rollco Constitution and the Shareholders' Deed; and



- (b) ensure that each such share is duly and validly issued in accordance with all applicable laws, the Rollco Constitution and the Shareholders' Deed, fully paid and free from any mortgage, charge, lien, encumbrance, pledge or other security interest (including any 'security interest' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)).

5.11 Withholding

If Bidder determines, having regard to legal or other professional advice, that Bidder is either:

- (a) required by law to:
 - (1) withhold any amount from a payment to a Scheme Shareholder; or
 - (2) not issue a security (or any securities) to a Scheme Shareholder; or
- (b) liable to pay an amount to the Commissioner of Taxation under section 14-200 of Schedule 1 to *Taxation Administration Act 1953* (Cth) (amounts required to be paid for CGT non-resident withholding) in respect of the acquisition of Scheme Shares from a Scheme Shareholder,

then Bidder is entitled to:

- (c) withhold the relevant amount before making the payment to the Scheme Shareholder; or
- (d) not issue the relevant security (or securities) to the Scheme Shareholder until permitted to do so,

(and payment of the reduced amount or issue of the reduced number of securities shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.1).

Bidder must pay any amount (or issue any security) so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment (or issue of any security) to the relevant Scheme Shareholder.

6 Dealings in McGrath Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in McGrath Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant McGrath Shares before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Share Register is kept,

and McGrath must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received



after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

- (a) McGrath must register registrable transmission applications or transfers of the Scheme Shares that are received in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires McGrath to register a transfer that would result in a McGrath Shareholder holding a parcel of McGrath Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or otherwise deal with, or purport or agree to dispose of or otherwise deal with, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and McGrath shall be entitled to disregard any such disposal or other dealing.
- (c) For the purpose of determining entitlements to the Scheme Consideration, McGrath must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been provided to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for McGrath Shares (other than statements of holding in favour of Bidder) will cease to have effect after the Scheme Record Date as documents of title in respect of those McGrath Shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the McGrath Shares relating to that entry.
- (e) McGrath must provide, or procure the provision of, details of any final Election made by a McGrath Shareholder to the Bidder, within two Business Days after the Election Time, including the name and Registered Address of each McGrath Shareholder who has made a valid Election and the Rollco Scrip Alternative that Rollco must issue to that McGrath Shareholder to meet its obligations under the Scheme in accordance with that McGrath Shareholder's valid Election (subject to the terms of this Scheme).
- (f) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, McGrath will ensure that details of the names, Registered Addresses and holdings of McGrath Shares for each Scheme Shareholder as shown in the Share Register are available to Bidder in the form Bidder reasonably requires.
- (g) Without limiting McGrath's obligations under clauses 6.2(e) and 6.2(f), McGrath must provide, or procure the provision, to Bidder, such other information as Bidder may reasonably require in connection with the provision of the Scheme Consideration to the Scheme Shareholders in accordance with this Scheme.

7 Quotation of McGrath Shares

- (a) McGrath must apply to ASX to suspend trading on the ASX in McGrath Shares with effect from the close of trading on the Effective Date.

- (b) On a date after the Implementation Date to be determined by Bidder, McGrath must apply:
 - (1) for termination of the official quotation of McGrath Shares on the ASX; and
 - (2) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) McGrath may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which McGrath has consented to in accordance with clause 8.1(a).

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (1) agrees to the transfer of their McGrath Shares together with all rights and entitlements attaching to those McGrath Shares in accordance with this Scheme;
 - (2) agrees to the variation or modification of the rights attached to their McGrath Shares constituted by or resulting from this Scheme;
 - (3) to the extent they are to receive Rollco Scrip Alternative as Scheme Consideration, agrees to become a shareholder of Rollco and to be bound by the Rollco Constitution and the Shareholders' Deed;
 - (4) to the extent they are to receive Rollco Scrip Alternative as Scheme Consideration and the Rollco Scrip Alternative is issued to the Nominee to hold as bare trustee for the Scheme Shareholder (as contemplated by clause 5.4), agrees to be bound by the Nominee Deed;
 - (5) agrees to, on the direction of Bidder, destroy any holding statements or share certificates relating to their McGrath Shares;
 - (6) who holds their McGrath Shares in a CHESS Holding agrees to the conversion of those McGrath Shares to an Issuer Sponsored Holding and irrevocably authorises McGrath to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and
 - (7) acknowledges and agrees that this Scheme binds McGrath and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to McGrath and Bidder on the Implementation Date, and appointed and authorised McGrath as its attorney and agent to warrant to Bidder on the Implementation Date, that:



- (1) all their McGrath Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their McGrath Shares to Bidder together with any rights and entitlements attaching to those shares; and
 - (2) they have no existing right to be issued any McGrath Shares, options, performance rights exercisable into McGrath Shares, convertible notes in McGrath or any other McGrath securities.
- (c) McGrath undertakes that it will provide the warranty in clause 8.2(b) to Bidder as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder will, at the time of transfer of them to Bidder, vest in Bidder free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.3(b), 5.3(c), 5.4 and the Scaleback Arrangements, Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by McGrath of Bidder in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.3(b), 5.3(c), 5.4 and the Scaleback Arrangements, and until McGrath registers Bidder as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;
- (b) must not, and undertakes to Bidder not to, attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under clause 8.4(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.



8.5 Authority given to McGrath

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints McGrath and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Bidder and Rollco, and McGrath undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder and Rollco on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints McGrath and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing:
 - (1) the Scheme Transfer; and
 - (2) any deed or other document required by McGrath or Bidder that causes each Scheme Shareholder entitled to the Rollco Scrip Alternative under this Scheme to be bound by the Rollco Constitution, the Shareholders' Deed and the Nominee Deed (as applicable),

and McGrath accepts each such appointment. McGrath as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to McGrath that are binding or deemed binding between the Scheme Shareholder and McGrath relating to McGrath or McGrath Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on McGrath Shares; and
- (c) notices or other communications from McGrath (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by Bidder in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Bidder and to be a binding instruction, notification or election to, and accepted by, Bidder in respect of the Rollco Scrip Alternative issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to Bidder at its registry.

8.7 Binding effect of Scheme

This Scheme binds McGrath and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of McGrath.



9 General

9.1 Stamp duty

Bidder will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to McGrath doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, McGrath or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to McGrath, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at McGrath's registered office or at the office of the McGrath Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a McGrath Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

- (a) This Scheme is governed by the laws in force in New South Wales, Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

McGrath must do all things and execute all documents (whether on its own behalf or on behalf of each Scheme Shareholder) necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that none of McGrath, Bidder or Rollco, nor any director, officer, secretary or employee of any of McGrath, Bidder or Rollco shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Schedule 1

Definitions and interpretation

1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
Aggregate Scrip Election	the total number of Scheme Shares the subject of all valid Elections to receive the Rollco Scrip Alternative made by the Election Time in accordance with the terms of this Scheme.
All-Cash Alternative	A\$0.60 cash for each Scheme Share held by a Scheme Shareholder.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Bidder	RPAA Holdings Pty Ltd (ACN 676 034 101)
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
CHESS Holding	has the meaning given in the Settlement Rules.
Corporations Act	the <i>Corporations Act 2001</i> (Cth), as modified or varied by ASIC.
Court	the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Bidder and McGrath.



Term	Meaning
Deed Poll	the deed poll in the form set out in Attachment 1, under which Bidder and Rollco each covenant in favour of the Scheme Shareholders to perform the obligations attributed to Bidder and Rollco under this Scheme.
Effective	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	the date on which this Scheme becomes Effective.
Election	has the meaning given in clause 5.2(a).
Election Form	the form issued by McGrath under which each McGrath Shareholder (other than any Ineligible Foreign Shareholders) is requested to elect to receive either the Rollco Scrip Alternative or the All-Cash Alternative, or a combination of both in respect of all of their McGrath Shares, subject to the terms of this Scheme.
Election Time	7.00pm on the date which is five Business Days before the date of the Scheme Meeting, or such other date as Bidder and McGrath agree in writing.
End Date	has the meaning given in the Implementation Deed.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by McGrath and Bidder.
Implementation Deed	the scheme implementation deed dated 24 March 2024 between McGrath, Bidder, KFA and Bayleys relating to the implementation of this Scheme.



Term	Meaning
Ineligible Foreign Shareholder	a Scheme Shareholder whose address shown in the Share Register on the Scheme Record Date is a place outside Australia, unless McGrath and Bidder agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with the Rollco Scrip Alternative if the Scheme Shareholder so elects under this Scheme.
Issuer Sponsored Holding	has the meaning given in the Settlement Rules.
Maximum Scrip Threshold	the number of Scheme Shares which represents 35% of total Scheme Shares or such other number of Scheme Shares agreed between McGrath and Bidder in writing.
McGrath	McGrath Limited ACN 608 153 779
McGrath Registry	Link Market Services Limited ABN 54 083 214 537.
McGrath Share	a fully paid ordinary share in the capital of McGrath.
McGrath Shareholder	each person who is registered as the holder of a McGrath Share in the McGrath Share Register.
McGrath Share Register	the register of members of McGrath maintained in accordance with the Corporations Act.
Nominee	has the meaning given in the Shareholders' Deed.
Nominee Deed	has the meaning given in the Shareholders' Deed.
Operating Rules	the official operating rules of ASX.
Registered Address	in relation to a McGrath Shareholder, the address shown in the Share Register as at the Scheme Record Date.
Rollco	RPAI Investments Limited (ACN 676 033 346).



Term	Meaning
Rollco Constitution	the constitution of Rollco.
Rollco Register	the register of shareholders maintained by Rollco or its agent.
Rollco Scrip Alternative	one fully paid ordinary share in Rollco for each Scheme Share in respect of which a valid Election is made in accordance with this Scheme, subject to the Scaleback Arrangements and the other conditions in this Scheme.
Scaleback Arrangements	the scaleback arrangements set out in clause 5.5.
Scaleback Shares	has the meaning given in clause 5.5(b).
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act between McGrath and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by McGrath and Bidder.
Scheme Booklet	the scheme booklet published by McGrath in respect of the Scheme pursuant to section 412 of the Corporations Act and dated 7 May 2024.
Scheme Consideration	<p>the consideration to be provided by Bidder to each Scheme Shareholder for the transfer to Bidder of each Scheme Share, being for each McGrath Share held by a Scheme Shareholder as at the Scheme Record Date:</p> <ol style="list-style-type: none">1 the All-Cash Alternative; or2 the Rollco Scrip Alternative, <p>subject to the terms of this Scheme.</p>
Scheme Meeting	the meeting of the McGrath Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	7.00pm on the third Business Day after the Effective Date or such other time and date as agreed in writing by McGrath and Bidder.



Term	Meaning
Scheme Shareholder	a McGrath Shareholder as at the Scheme Record Date.
Scheme Shares	all McGrath Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Bidder as transferee, which may be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Settlement Rules	the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.
Share Register	the register of members of McGrath maintained by McGrath or the McGrath Registry in accordance with the Corporations Act.
Shareholders' Deed	the Shareholders' Deed in relation to Rollco to be entered into by the shareholders of Rollco on substantially the terms set out in Attachment 5 of the Implementation Deed, or in such other form as agreed between McGrath and Bidder.
Subsidiary	<p>has the meaning given in Division 6 of Part 1.2 of the Corporations Act, provided that an entity will also be taken to be a Subsidiary of another entity if it is controlled by that entity (as 'control' is defined in section 50AA of the Corporations Act) and, without limitation:</p> <ol style="list-style-type: none">1 a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and2 an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.
Trust Account	has the meaning given in clause 5.3(a).



2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney, New South Wales;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this Schedule 1, has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and



- (s) a reference to the Operating Rules or the Settlement Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.



HERBERT
SMITH
FREEHILLS

Attachment 1

Deed Poll

Annexure 3

Deed Poll



HERBERT
SMITH
FREEHILLS

Deed

Share Scheme Deed Poll

RPAA Holdings Pty Ltd

RPAA Investments Limited



Share Scheme Deed Poll

Date **3 May 2024**

This deed poll is made

By **RPAA Holdings Pty Ltd**
ACN 676 034 101 of Level 29, 120 Collins Street, Melbourne VIC
3000
(Bidder)
and
RPAA Investments Limited
ACN 676 033 346 of Level 29, 120 Collins Street, Melbourne VIC
3000
(Rollco)

in favour of each person registered as a holder of fully paid ordinary shares in
McGrath Limited ACN 608 153 779 (**McGrath**) in the Share Register
as at the Scheme Record Date.

Recitals

- 1 McGrath and Bidder entered into the Implementation Deed.
- 2 In the Implementation Deed, Bidder agreed to make this deed poll
and to procure that Rollco make this deed poll.
- 3 Bidder and Rollco are making this deed poll for the purpose of
covenanting in favour of the Scheme Shareholders to perform the
actions and obligations attributed to each of them under the
Implementation Deed and the Scheme.

This deed poll provides as follows:



1 Definitions and interpretation

1.1 Definitions

- (a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Implementation Deed	the scheme implementation deed entered into between McGrath and Bidder dated 24 March 2024.
McGrath	McGrath Limited ACN 608 153 779.
Rollco Share	a fully paid ordinary share in the capital of Rollco.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between McGrath and the Scheme Shareholders, the form of which is set out in Attachment 1 (or such other form as agreed in writing by McGrath and Bidder), subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and consented to by Bidder in accordance with clause 6.2 of the Implementation Deed.

- (b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Bidder and Rollco acknowledge that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints McGrath and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder and Rollco.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of Bidder and Rollco under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder and Rollco under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
 - (b) the Scheme has not become Effective on or before the End Date,
- unless Bidder, Rollco and McGrath otherwise agree in writing.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder and Rollco are released from their obligations to further perform this deed poll except those obligations under clause 7.1; and
- (b) each Scheme Shareholder retains the rights they have against Bidder and Rollco in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

3.1 Undertaking to provide Scheme Consideration and perform other actions

Subject to clause 2, each of Bidder and Rollco undertakes in favour of each Scheme Shareholder to:

- (a) provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme by:
 - (1) in relation to the All-Cash Alternative, by no later than the Business Day before the Implementation Date, depositing, or procuring the deposit of, in cleared funds an amount equal to the aggregate amount of the All-Cash Alternative payable to all Scheme Shareholders in accordance with the Scheme into the Trust Account, provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account;
 - (2) in relation to the Rollco Scrip Alternative, on the Implementation Date, and subject to the Scaleback Arrangements, issue, or procure the issue of, the Rollco Scrip Alternative to each Scheme Shareholder (or the Nominee, as the case may be) entitled to receive the Rollco Scrip Alternative; and



- (b) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to each of them under the Scheme, in each case subject to and in accordance with the terms of the Scheme.

3.2 Rollco Shares to rank equally

Each of Bidder and Rollco covenants in favour of each Scheme Shareholder that the Rollco Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally in all respects with all existing Rollco Shares and will have the rights set out in the Rollco Constitution and the Shareholders' Deed;
- (b) be duly and validly issued in accordance with applicable laws and the Rollco Constitution and the Shareholders' Deed; and
- (c) be issued fully paid and free from any mortgage, charge, lien, encumbrance, pledge or other security interest (including any 'security interest' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)).

4 Warranties

Each of Bidder and Rollco represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has full capacity, corporate power and lawful authority to execute, deliver and enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder and Rollco have fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.



6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to Bidder and Rollco in accordance with the details set out below (or any alternative details nominated by Bidder or Rollco by Notice).

	Bidder	RollCo
Attention	Mike Bayley and James Patterson	Mike Bayley and James Patterson
Address	Level 22, 123 Pitt St, Sydney NSW 2000	Level 22, 123 Pitt St, Sydney NSW 2000
Email address	mike.bayley@bayleys.co.nz James.Patterson@au.knightfrank.com	mike.bayley@bayleys.co.nz James.Patterson@au.knightfrank.com

6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), in the place nominated by the addressee as its address in clause 6.1(b), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By express post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By email to the nominated email address	The first to occur of: <ol style="list-style-type: none"> 1 when the recipient's email server generates a message to the sender confirming that the email has been delivered to that server ("delivery receipt"), or



- at the time that the recipient “read” the email as stated in an automated message received by the sender (“**read receipt**”);
- 2 the time that the recipient confirms receipt of the email by reply email to the sender; and
 - 3 four hours after the time that the email is sent (as recorded on the device from which the email was sent) unless the sender receives, within that four hour period, an automated message that the email has not been delivered.
-

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than email as permitted in clause 6.2).

7 General

7.1 Stamp duty

Bidder:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under or in connection with the Scheme and this deed poll; and
- (b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in New South Wales, Australia.
- (b) Bidder and Rollco irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Bidder and Rollco 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.

7.3 Waiver

- (a) Bidder and Rollco may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) No Scheme Shareholder may rely on words or conduct of Bidder or Rollco as a waiver of any right unless the waiver is in writing and signed by Bidder or



Rollco, as appropriate. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.

- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by McGrath in writing; or
- (b) if on or after the First Court Date, the variation is agreed to by McGrath in writing and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Bidder and Rollco will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Bidder, Rollco and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to Bidder, Rollco and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bidder or Rollco.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Joint and several obligations

Bidder and Rollco are jointly and severally liable for each obligation imposed on both of them by the terms of this deed poll.

7.8 Further action

Bidder and Rollco must, at their own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



HERBERT
SMITH
FREEHILLS

Attachment 1

Scheme

Attached



Signing page

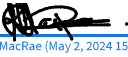
Executed as a deed poll

Signed sealed and delivered by
RPAA Holdings Pty Ltd
by

sign here ▶ 

print name _____
James Patterson

Company Secretary/Director

sign here ▶ 

print name _____
Ken MacRae

Director

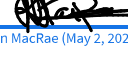
Ken MacRae (May 2, 2024 15:13 GMT+8)

Signed sealed and delivered by
RPAA Investments Limited
by

sign here ▶ 

print name _____
James Patterson

Company Secretary/Director

sign here ▶ 

print name _____
Ken MacRae

Director

Ken MacRae (May 2, 2024 15:13 GMT+8)

Annexure 4
Rollco Shareholders' Deed

Shareholders' Deed

RPAA Investments Limited

ACN 676 033 346

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Parties

- 1 **RPA Investments Limited** (ACN 676 033 346) of Level 29, 120 Collins Street, Melbourne VIC 3000 (the **Company**)
- 2 **Knight Frank Australia Holdings Pty Ltd** (ACN 114 923 938) of Level 29, 120 Collins Street, Melbourne VIC 3000 (**KFA**)
- 3 **BCL Aus Holdings Limited** (NZ company number 8958610) of 30 Gaunt Street, Auckland Central, Auckland 1010, New Zealand (**BCL**)

The parties agree

1 Defined terms and interpretation

1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:

- (a) which is defined in the Dictionary in Schedule 1, has the meaning given to it in the Dictionary;
- (b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act; and
- (c) which is defined in the GST Law, but not defined in the Dictionary or the Corporations Act, has the meaning given to it in the GST Law.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this deed.

1.3 Effectiveness of deed

This deed comes into effect on the Implementation Date.

1.4 Precedence of this deed

Where this deed and the Constitution deal with the same or a similar topic differently:

- (a) this deed prevails in relation to that topic; and
- (b) if a Shareholder gives the Company a notice specifying the difference and requesting an amendment to the Constitution that will remove that difference, each Shareholder must take all necessary steps to amend the Constitution to make the Constitution consistent with this deed.

1.5 Capital Structure

- (a) As at the date of this deed:
 - (i) the only Shareholders in the Company are the Investor Shareholders in equal proportions; and

- (ii) the only securities on issue in the capital of the Company are the Ordinary Shares.
- (b) Prior to the Implementation Date of the Scheme, the Investor Shareholders will subscribe for additional Ordinary Shares in the Company on a proportional basis pursuant to clause 8.3(b).
- (c) On the Implementation Date of the Scheme, the Company will issue Ordinary Shares to shareholders of the Target by way of the Scheme.

1.6 Objectives

The primary objectives of the Company are to:

- (a) operate, carry on and grow the business of the Group, in a proper and efficient manner in accordance with sound business practice and so as to give effect to the Business Plan; and
- (b) maximise the sustainable value of the Group in line with the direction and strategy of the Group as determined by the Board from time to time in accordance with this deed.

2 Business and management of the Company

2.1 Function of the Board

The function of the Board is to govern the management of the Group. Subject to clause 2.6 and the Corporations Act, the Board may do all things necessary or desirable in connection with this function including:

- (a) determining the overall business strategy and direction for the Group;
- (b) reviewing and approving annual business plans and budgets; and
- (c) determining any other matter in relation to the Group.

2.2 Delegation and management

- (a) The Board will be responsible for the day-to-day management and operation of the Business.
- (b) The Board may:
 - (i) establish one or more committees and delegate to such committee members matters which are part of the day-to-day management of the Group, provided that at least one Nominee Director appointed by each Investor Shareholder and the Non-Investor Shareholder(s) is represented on any such committee; and
 - (ii) delegate matters that are part of the day-to-day management of the Group to persons or committees of persons as it considers appropriate and in accordance with customary governance practices.
- (c) The Board may, in its absolute discretion and at any time, amend, revoke or replace any delegation made to senior management.

2.3 Business Plan and Budget

The Company must ensure that the Group conducts its Business in each Financial Year in accordance with the Business Plan and Budget approved and adopted by the Board by way of Investor Board Approval for that Financial Year, or as may be amended by the Board from time to time. Any material deviation from or variation to the Business Plan and Budget throughout the Financial Year must have prior Investor Board Approval.

2.4 New Business Plans

Each Investor Shareholder must exercise its rights as an Investor Shareholder to ensure:

- (a) at least one month before the beginning of each Financial Year, the management of the Company submits to the Board and each Investor Shareholder a draft Business Plan and Budget to be considered and approved by the Board by way of Investor Board Approval; and
- (b) the Board are to work with management to finalise and approve the Business Plan and Budget within one month of commencement of the following Financial Year.

2.5 Board fails to adopt Business Plan or Budget

If a Business Plan or Budget is not endorsed and approved under clause 2.4, then until such time as a new Business Plan or Budget has been so endorsed and approved, the Board and the Company must conduct (and the Investor Shareholders must procure that the Company conducts) the Business in accordance with the existing Business Plan and Budget, except that:

- (a) any one off item in the Business Plan or Budget which was, at the time of the development of the relevant Business Plan or Budget, intended to apply only to the previous Financial Year is excluded; and
- (b) any item in the existing Business Plan or Budget which is a recurring cost will be varied in accordance with the following formula;

$$P = \frac{A \times C}{B}$$

where:

P = means the cost payable in accordance with the following period;

A = means the cost payable in accordance with the previous Business Plan or Budget;

B = means the CPI last published before the commencement of the period applicable to the previous Business Plan or Budget; and

C = means the CPI last published after the end of the period applicable to the previous Business Plan or Budget.

2.6 Shareholders' resolutions

Subject to applicable law and the terms of this deed, all resolutions by Shareholders will be made by the affirmative vote of a Simple Majority Resolution.

2.7 Reserved matters

The Company must not do nor commit to do, and must procure that no Group Company does or commits to do, and the parties must use all voting rights and any other powers of control available to them (whether as a Shareholder, through a Director or otherwise) to procure that no Group Company does, or commits to do:

- (a) a thing listed in Part A of Schedule 2 without Investor Board Approval; or
- (b) a thing listed in Part B of Schedule 2 without Special Board Approval,

and, for the avoidance of doubt, where a thing is listed in Part A and Part B of Schedule 2, both Investor Board Approval and Special Board Approval will be required for that thing.

3 Board

3.1 Minimum and maximum number of Directors

The Board must consist of a minimum of five Directors and a maximum of ten Directors, or such greater number approved by Investor Board Approval.

3.2 Appointment of Directors

- (a) Each Shareholder who, together with the Shareholders who qualify as its Permitted Transferees, holds at least 10% of the Ordinary Shares (collectively with those other Shareholders) is entitled to appoint, remove and replace one Director to the Board for each 10% of Shares held (each such Director being a **Nominee Director**).
- (b) No other Shareholder has the right to appoint, remove or replace any Director.
- (c) The Chairperson of the Board may be appointed, removed and replaced by Investor Board Approval.
- (d) One or more independent Directors may be appointed, removed and replaced by Investor Board Approval.

3.3 Eligibility and vacation of office

A Director must (and his or her appointing Shareholder must procure that he or she) immediately vacate their office and shall be automatically removed if he or she is disqualified from managing a corporation or has been or is convicted of or charged with an indictable offence.

3.4 Directors' interests

- (a) A Director is not disqualified (solely by virtue of being a Director) from holding any office or place of profit, including any office or place of profit with a Shareholder or its Affiliates. For the avoidance of doubt, a Director may:
 - (i) be or become a director of or otherwise hold office or a place of profit in any entity promoted by a Shareholder or its Affiliates or in which a Shareholder or its Affiliates may be interested; and
 - (ii) contract or make any arrangement with a Shareholder or its Affiliates.

- (b) If the Board is required to consider any:
- (i) Related Party Transaction involving a Director or Shareholder (or their respective Affiliates);
 - (ii) matter related to the enforcement of the rights of the Company or any other Group Company against, or litigation involving, a Director or Shareholder (or their respective Affiliates); or
 - (iii) matter in which a Director has a material personal interest,
- but excluding any matter in respect of which all Shareholders are affected in substantially the same way, then the relevant Director or the Directors nominated by that Shareholder (as the case may be):
- (iv) must, prior to or at the Board meeting at which the relevant matter is to be considered and / or voted on, disclose to the Board:
 - (A) that this clause 3.4(b) applies; and
 - (B) to the extent that such disclosure would not breach any duty of confidence or similar obligation that the Director or Shareholder (as the case may be) is subject to, the nature and extent of the interest of the Director or Shareholder (or their respective Affiliates) in the relevant matter and its relation to the affairs of the Company or any other Group Company;
 - (v) are entitled to receive information regarding, and participate in discussions and deliberations of the Board in relation to, the relevant matter, to the extent that doing so does not unfairly or unreasonably prejudice the interests of the Company or any other Group Company;
 - (vi) are not entitled to vote on any resolution of the Board in relation to the relevant matter to the extent such voting gives rise to a conflict of interest for those Directors; and
 - (vii) notwithstanding clause 3.4(b)(vi) above, those Directors are entitled to give their consent or approval for the sole purpose of meeting any applicable Investor Board Approval or Special Board Approval requirement.

3.5 Directors acting in interests or at direction of nominating Shareholder

Subject to applicable law

- (a) a Director:
 - (i) may disclose to their nominating Shareholder(s) any information obtained in the Director's capacity as a Director;
 - (ii) may have regard (including exclusive regard) to, represent and/or act in the interests of their nominating Shareholder(s) or its Affiliates in priority to the interests of the other Shareholders and/or the Company, in performing their duties or exercising any power, right or discretion as a Director in relation to any Group Company; and
 - (iii) may act on the directions and in the interests of their nominating Shareholder(s) or its Affiliates and their direct and indirect investors (if any)

in performing their duties or exercising any power, right or discretion as a Director in relation to any Group Company,

and a Director who does any of the things described in this clause 3.5 will not, for that reason alone, be in breach of their duties to the Company or any Group Company; and

- (b) where a Shareholder gives directions to its nominated Director and as a result that Shareholder is considered to be involved in the management of any Group Company or to be a de facto Director, the Shareholders agree that the appointing Shareholder will not, in giving such directions, have any obligation to represent or take into consideration the interests of any other Shareholder and may act solely in its own interests.

3.6 Voting entitlements of Directors

- (a) Subject to clauses 3.6(b) and 4.3, each Director is entitled to one vote.
- (b) Nominee Directors are entitled to a number of votes calculated as:
 - (i) the number of Ordinary Shares held by the Shareholder (together with Shareholders who qualify as its Permitted Transferees) who appointed the Nominee Director; *divided by*
 - (ii) the number of Nominee Directors appointed by that Shareholder (together with those Shareholders who qualify as its Permitted Transferees) that are present at that Board meeting and able to vote on the applicable resolution.
- (c) The Chairperson will not have a casting vote.

3.7 Alternate Directors

- (a) Each Director may appoint an alternate to represent him or her at meetings of the Board.
- (b) That person may be appointed by notice in writing to the Company signed by the appointor and that person need not be approved by resolution of the Directors, provided that any alternate may not be a person who is disqualified from managing a corporation or has been or is convicted of or charged with an indictable offence.
- (c) An alternate director will be entitled to attend and vote at meetings of the Board and to be counted in determining whether a quorum is present, without the need for such alternate to be approved by the Board.

3.8 Observer

- (a) Each Shareholder entitled to appoint a Director under clause 3.2 may from time to time appoint and remove one person as an observer to the Board, provided that the Shareholder must notify the Company of any such nomination.
- (b) An observer has the right to be notified of and attend Board meetings (and receive copies of all Board papers) but does not have the right to vote or speak nor the right to be counted in a quorum.
- (c) An Shareholder must procure that any observer that it appoints complies with the same confidentiality obligations that apply to that Shareholder under this deed.

3.9 Directors' expenses

- (a) Any Director that is not:
 - (i) a Nominee Director; or
 - (ii) an employee of the Group,is entitled to a Director's fee as determined by the Board by Special Board Approval, from time to time.
- (b) A Nominee Director is not entitled to any Director's fees, unless otherwise agreed by Special Board Approval.
- (c) The Company will reimburse all reasonable and substantiated travel, accommodation or similar third party costs and expenses incurred by Directors in attending to the Business of the Group, including attending Board meetings, if incurred in accordance with the Company's relevant policies and procedures as approved by the Board from time to time.

3.10 Directors' and officers' insurance

- (a) The Company must, to the fullest extent permitted by law, purchase and maintain insurance for each Director against any liability incurred by the Director as an officer of any Group Company including liability for negligence, and for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal on policy terms approved by the Board on terms reasonably available in the market and appropriate for the operation of the Group and its business.
- (b) The Company must procure that each Group Company enters into a deed of access and indemnity with each of its directors under which the relevant Group Company indemnifies the relevant director to the maximum extent permitted by law and gives the relevant director a right to have access to and make copies of all board papers, records and minutes of the Group Company in respect of the period during which the relevant director is or was a director of the Group Company.

3.11 Shareholder obligations

- (a) Each Shareholder must, and must exercise its rights as a Shareholder to, ensure the Board is composed, and its meetings are conducted, in accordance with this clause 3.
- (b) Each Shareholder must, and must exercise its rights as a Shareholder to, ensure the board and operation of each Subsidiary of the Company acts in accordance with the decisions of the Board.

4 Board meetings

4.1 Meetings

- (a) The Board must meet at least quarterly, unless otherwise determined by the Board.
- (b) A Director may convene a meeting of the Board at any time by at least two weeks' notice to the other Directors, which notice must include:

- (i) an agenda for the meeting, if that detail is known by the convening Director;
and
 - (ii) any proposed resolutions to the extent it relates to a thing requiring Special Board Approval.
- (c) A meeting of the Board may be held by the Directors communicating with each other by any technological means by which they are able simultaneously to hear each other and to participate in discussion. The Directors need not be all physically present in the same place. A Director who participates in a meeting in accordance with this paragraph is treated as being present and entitled to vote at the meeting.

4.2 Quorum

- (a) The quorum for a meeting of the Board (**Board Meeting**) is at least one Nominee Director appointed by each Shareholder who (together with the Shareholders who qualify as its Permitted Transferees) has appointed a Nominee Director pursuant to clause 3.2(a).
- (b) If a quorum is not present within 30 minutes of the time set for the meeting, the meeting will be adjourned to the same time and place two weeks later and notice reconvening the adjourned meeting must be promptly given to all Directors and the quorum at the reconvened meeting will be satisfied by one Nominee Director appointed by each Investor Shareholder who, together with the Investor Shareholders who qualify as its Permitted Transferees, has appointed one or more Nominee Directors.

4.3 Board Decisions

Subject to applicable law and the terms of this deed, all actions or resolutions of the Board will be made by the affirmative vote of a Simple Majority Resolution.

4.4 Circulating resolutions of Directors

- (a) The Directors may pass a resolution without a Directors' meeting being held if all of the Directors entitled to vote on the resolution sign a written document containing a statement that they are in favour of the resolution set out in the document.
- (b) The resolution is passed when the last Director signs the document.
- (c) Two or more separate documents in identical terms, each of which is signed by one or more Directors, are treated as one document.
- (d) An emailed portable document format (**PDF**) document containing the text of the document expressed to have been signed by a Director and sent to the other Directors is a document signed by that Director at the time of its receipt by the last of the other Directors.

5 Audit and reporting obligations

5.1 Information to Investor Shareholders

- (a) The Company must (and the Shareholders must exercise their rights to procure that the Company), and must procure that each Group Company and the CEO and CFO from time to time, promptly deliver to, or as directed by, any Investor Shareholder:

- (i) within 90 days after the end of a Financial Year, a copy of the audited statement of financial position, statement of financial performance and a statement of cash flows for each Group Company for each Financial Year, including details of accounting policies applied and any deviation from the applicable Accounting Standards; and
 - (ii) within 10 Business Days after the end of each calendar month, a copy of the management accounts for each Group Company.
- (b) The Company must provide such other financial and other information relating to the Company or any other Group Companies) as an Investor Shareholder may request, including any information required by any financiers or prospective financiers of the Company or any other Group Companies and any information as may be reasonably requested or required by the Shareholders to enable them to prepare their Tax returns.
- (c) The Company must (and the Shareholders must exercise their rights to procure that the Company) provide to each Investor Shareholder, upon request, full access to:
- (i) visit and inspect the assets and property of the Company or any other Group Company;
 - (ii) inspect and take copies of documents relating to the Business or the Company or any other Group Company; and
 - (iii) discuss the affairs, finances and accounts of the Company and any other Group Company with the Company's officers, employees, agents, consultants, auditor or advisers),

in each case at all reasonable times and on reasonable notice to the relevant Group Company.

5.2 Information to Non-Investor Shareholders

- (a) Any Non-Investor Shareholder may request a copy of the most recent annual audited accounts of the Company and its Related Bodies Corporate and the Company must provide the requested information to that Non-Investor Shareholder within a reasonable time of the request (which must not be more than 20 Business Days after such request).
- (b) The Company must promptly provide to each Non-Investor Shareholder that (together with the Shareholders who qualify as its Permitted Transferees) holds at least 5% of the Ordinary Shares, copies of all information provided to Investor Shareholders pursuant to clauses 5.1(a) and 5.1(b).
- (c) For the avoidance of doubt, subject to law, a Non-Investor Shareholder is not entitled to any information relating to the Company or any other Group Company other than as set out in this clause 5.

5.3 Legal professional privilege

Anything subject to legal professional privilege will not be provided to an Investor Shareholder under clause 5.1 or a Non-Investor Shareholder under clause 5.2, except where the thing can be provided in a manner that will not waive legal professional privilege.

5.4 Confidentiality

Any information disclosed under this clause 5 is Confidential Information that is given subject to clause 18.

6 Management Equity Plan

- (a) If the Scheme becomes effective, the Board may adopt a Management Equity Plan (to be approved by way of Investor Board Approval) and may invite Managers of any Group Company to participate in the Management Equity Plan and subscribe for Management Shares.
 - (b) The Board must at all times ensure that, unless approved by Investor Board Approval, the maximum number of Management Shares granted under a Management Equity Plan does not exceed 10% of the total number of Securities in the Company (on a fully diluted basis).
-

7 Distributions to Shareholders

- (a) Subject to the Corporations Act, a decision to declare or determine a Dividend and the amount of any Dividend will be determined at the sole discretion of the Board and must be approved by Investor Board Approval.
 - (b) The intention of the Investor Shareholders is for the Board to declare and the Company to pay two or more Dividends in each Financial Year, comprising in aggregate at least 50% of the Company's net profit after tax for that Financial Year. The Investor Shareholders will consider more frequent Dividends where possible.
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8 Issue of Securities

8.1 No obligation to provide further funding

- (a) Except as otherwise provided in this deed, no Shareholder is obliged to provide any further funding (by way of debt or equity, guarantee or otherwise) to the Group.
- (b) Nothing in this deed constitutes an undertaking by a Shareholder:
 - (i) to make any loan or give any other financial accommodation to or for the benefit of the Company or any Group Company;
 - (ii) to give any guarantee or indemnity in respect of any obligation or liability of the Company or any Group Company; or
 - (iii) to acquire or subscribe for any Securities of the Company or any Group Company.

8.2 New Securities

The Company must not issue any Securities unless the issue is:

- (a) a permitted issue, as set out in clause 8.3;
- (b) a pro rata issue, as set out in clause 9; or

- (c) approved by the Board with Special Board Approval.

8.3 Permitted issues

The Company may issue Securities if the issue is approved by the Board with Investor Board Approval and is:

- (a) **(emergency funding)** to one or more Investor Shareholders, or their respective Affiliates, if the Board determines (acting reasonably), after having first bona fide considered other means of financing, that an injection of funds:
 - (i) is necessary or desirable in order to ensure that a Group Company does not breach (or ceases to breach (where a breach is already subsisting) or is prevented from breaching (where the Board reasonably believes in good faith that a breach is reasonably likely to occur)) a covenant or condition of its external finance facilities;
 - (ii) is otherwise required by its external financiers in writing and the Board considers in good faith that the requirement is reasonable; or
 - (iii) is necessary to ensure that a Group Company does not become insolvent, such issuance being an **Emergency Issue**), and provided that the process set out in clause 9 is implemented as soon as reasonably practicable after the Emergency Issue, *mutatis mutandis* as though the Emergency Issue were in satisfaction of a pro rata offer to Shareholders in accordance with clause 9, so as to give each other Shareholder the opportunity to either subscribe for, or acquire from one or more of the Investor Shareholders who participated in the Emergency Issue, Securities on the same terms as the Emergency Issue, to maintain or restore their Relevant Proportion prior to the Emergency Issue;
- (b) **(Scheme Related Issuances)** the issue of:
 - (i) Ordinary Shares to the Investor Shareholders to provide funding to finance the payment of the cash consideration under the Scheme to Target shareholders or repay the debts of the Target in place prior to implementation of the Scheme, such Ordinary Shares to be issued at an issue price of \$0.60 per share; and
 - (ii) Ordinary Shares provided for in the SID;
- (c) **(Manager)** an issue of Management Shares to a Manager (or an Affiliate of a Manager) pursuant to any Management Equity Plan;
- (d) **(acquisitions/mergers)** an issue of Securities in respect of the bona fide, arm's length acquisition of, or merger with, a company, or the acquisition of a company, business, franchise or assets, by a Group Company; or
- (e) **(IPO)** an issue of Securities pursuant to an IPO.

8.4 No requirement to prepare disclosure document

Any person's rights to be offered Securities and / or to subscribe for Securities (whether under this clause 8 or otherwise) are subject to those rights not requiring the Company to issue a disclosure document (including a prospectus) or a product disclosure statement, undertake any registration or filing with any Government Agency or take any comparable action, whether under Chapter 6D or Chapter 7 of the Corporations Act or any

comparable legislation in any other jurisdiction, unless the Company (with the Board's approval) agrees otherwise. For the avoidance of doubt, neither the Company nor any other party will be in breach of this document if it fails to offer any Securities to any person, or give any notice which would constitute an offer of any Securities to any person, in circumstances where such offer or issue of Securities would require the taking of any action described in this clause 8.4.

9 Pro rata issue of Securities

9.1 Pro rata offer to Shareholders

- (a) The Board may resolve to issue Securities (other than an issue in accordance with clause 8.3), on the basis that those Securities are offered to all Shareholders in accordance with this clause 9 in their Respective Proportion.
- (b) For the avoidance of doubt, this clause 9 does not apply to Management Shares.

9.2 Basis of issue

The Company must ensure that the issue is conducted on the following basis:

- (a) the Company must serve notice on each Shareholder (**Issue Notice**) specifying:
 - (i) the proposed terms of issue;
 - (ii) the issue price per new Security;
 - (iii) the total number of new Securities to be issued;
 - (iv) the number and type of new Securities for which the Shareholder would need to subscribe to maintain its Relevant Proportion;
 - (v) the date on which acceptance of the offer by the Shareholder (or its nominated Affiliate) must be received by the Company, which shall be no earlier than 30 calendar days after the date of the Issue Notice (**Acceptance Period**); and
 - (vi) the date on which subscription monies for the new Securities must be paid to the Company (being not less than 5 Business Days after the date of the Issue Notice);
- (b) the issue must be for cash and the new Securities must be offered on the same terms to each Shareholder (or its nominated Affiliate) on a pro rata basis in their Relevant Proportions in accordance with this clause 9; and
- (c) in the event a Shareholder (**Non-contributing Shareholder**) does not take up its entitlement within the Acceptance Period, other Shareholders may give notice to the Company and the Non-contributing Shareholder that it (**Accepting Shareholder**) (or its nominated Affiliate) wishes to subscribe for those new Securities that were not taken up by the Non-contributing Shareholder, in which case that Accepting Shareholder (or its nominated Affiliate) may subscribe for the new Securities not taken up by the Non-contributing Shareholder (and those new Securities will be issued to one or more of the Shareholders (or their respective nominated Affiliates, as the case may be)). If there is more than one Accepting Shareholder, each Accepting Shareholder will be offered its Relevant Proportion of

the new Securities (calculated as between Accepting Shareholders only) not taken up by a Non-contributing Shareholder.

10 Dealing with Securities

10.1 Restrictions on Disposal

A Shareholder must not Dispose of any of its Securities unless:

- (a) the Disposal is expressly permitted or provided for in clause 10, 11, 13, 14 or 15; and
- (b) the provisions of clause 24 are complied with.

10.2 Permitted Transfers

Subject to clauses 10.1 and 10.3, the following Disposals are permitted:

- (a) **(Investor Shareholders)** Shareholders may transfer some or all of its shares to one or all of the Investor Shareholders at any time, on terms agreed with all of the Investor Shareholders (acting jointly).
- (b) **(Shareholder default)** pursuant to clause 15;
- (c) **(Small holdings)** pursuant to clause 15.2; or
- (d) **(Permitted Transferee)** subject to clause 24.2, a Shareholder may Transfer all or any of its Securities to a person who is, at the time of Transfer, a Permitted Transferee of that Shareholder.

10.3 Ceasing to be Permitted Transferee

If a person to whom Securities are Transferred under clause 10.2 (**Holder**) ceases to be a Permitted Transferee of the transferor (**Transferor**), the Holder must immediately upon ceasing to be a Permitted Transferee:

- (a) Transfer its entire legal and beneficial interest in the relevant Securities back to the Transferor; or
- (b) Transfer its entire legal and beneficial interest in the relevant Securities to another Permitted Transferee of the Transferor,

provided that a Holder does not cease to be a Permitted Transferee of the Transferor merely because the Transferor is terminated in accordance with its terms or otherwise ceases to exist.

11 Exit Event

11.1 Investor Shareholders

The Investor Shareholders (acting jointly only) may at any time initiate or pursue an Exit Event.

11.2 Cooperation

Each Shareholder and each Relevant Individual will, as considered reasonably necessary or desirable by the Company in connection with the Exit Event, use reasonable commercial endeavours to support the Exit Event proposed by the Investor Shareholders.

12 Drag rights

12.1 Right to give Drag Notice

- (a) Subject to clause 12.2 and clause 12.3, if the Investor Shareholders propose to sell all or a proportion of their Securities to a Buyer the Investor Shareholders (**Dragging Shareholders**) may give a Drag Notice to each Non-Investor Shareholder and Management Shareholder (**Dragged Shareholder**) (with a copy to the Company).
- (b) Each Investor Shareholder will pay to each other Shareholder \$1.00 for the creation of the rights under this clause. The consideration due under this clause 12.1(b) will be offset by the consideration due under clause 13.1(b).

12.2 Contents of Drag Notice

- (a) A Drag Notice must state:
 - (i) the identity of the proposed Third Party Buyer (except where the identity of the Third Party Buyer is unknown due to the proposed sale being by way of auction or dual-track Trade Sale or IPO);
 - (ii) the number of and class of Securities proposed to be sold by the Dragging Shareholders and the percentage of the total number of Shares held by the Dragging Shareholders proposed to be sold (the **Drag Proportion**);
 - (iii) the sale price for each Security (except where the sale price is unknown due to the proposed sale being by way of auction or dual-track Trade Sale or IPO) (**Drag Price**) to be sold by the Dragging Shareholders (which need not be cash consideration) and any other terms of the proposed sale by the Dragging Shareholders to the Third Party Buyer (**Drag Sale Terms**); and
 - (iv) that the Dragging Shareholders requires the Dragged Shareholder to sell the Drag Proportion of the Shareholder's Securities (**Dragged Shares**) to the Third Party Buyer at the Drag Price per Security and on terms no less favourable to the Shareholder than the terms contained in the Drag Sale Terms.

12.3 Effect of Drag Notice

If a Drag Notice is given (and has not been withdrawn pursuant to clause 12.3(d)), then:

- (a) each Dragged Shareholder must sell its Dragged Shares to the Third Party Buyer on the terms stated in the Drag Notice;
- (b) the parties must do all things and execute such documentation as is reasonably necessary or is reasonably required by the Dragging Shareholders to effect the proposed sale to the Third Party Buyer, subject to the sale agreement complying with the provisions of clause 12.3(d);

- (c) the Dragging Shareholders must not complete the proposed sale to the Third Party Buyer unless at the same time, the Third Party Buyer offers to buy all the Dragged Shares of the Dragged Shareholders on the terms stated in the Drag Notice;
- (d) the Dragging Shareholders may require each Dragged Shareholder (and their Relevant Individual, if applicable) to give reasonable representations, warranties and indemnities having regard to the market standard for transactions of that nature, under any agreements relating to the purchase of such Dragged Shares, the Business or the Group, provided that:
 - (i) any such representations, warranties and indemnities are given on an equivalent basis and subject to the same liability regime as to those given by the Dragging Shareholders, which must be:
 - (A) on a several (but not joint) basis;
 - (B) in respect of liability for warranties (other than warranties in relation to title and capacity), given by Shareholders in their Relevant Proportion; and
 - (C) in respect of liability for warranties in relation to title and capacity, given by Shareholders in respect of their Securities only; and
 - (ii) the liability of each Dragged Shareholder (and its Representative, if applicable) arising from a breach of any such representations and warranties is limited to the proportion of the consideration actually received by the Dragged Shareholder (and its Relevant Individual, if applicable) in connection with the purchase of such Dragged Shares; and
- (e) the Dragging Shareholders must use their best endeavours to procure that warranty and indemnity insurance is obtained to minimise any exposure to all Shareholders on terms in line with prevailing market practice, provided such insurance is available at a reasonable cost. Any cost associated with that warranty and indemnity insurance will be shared on a pro-rata basis by all Shareholders, other than where such cost is borne by the Company, the Third Party Buyer or any of their respective Related Bodies Corporate.

12.4 Withdrawal of Drag Notice

- (a) A Drag Notice may be withdrawn by the Dragging Shareholders at any time by written notice to each holder of Dragged Shares (with a copy to the Company).
- (b) If the Drag Notice is withdrawn but the Dragging Shareholders intend to continue with the sale of all or a proportion of its (or their) Securities to a Third Party Buyer, then, the Dragging Shareholders must give each Dragged Shareholder an Invitation to Tag in respect of the Securities proposed to be sold, as contemplated by clause 13.1.

12.5 Power of attorney

On default by a Dragged Shareholder of their obligations under this clause 12, that Dragged Shareholder irrevocably appoints the Company as its attorney in accordance with clause 26.6 to perform its obligations under this clause 12.

13 Tag along rights

13.1 Invitation to Tag

- (a) Subject to clause 13.2 and 13.3, if the Investor Shareholders propose to:
 - (i) sell 40% or more of their Securities to a Third Party Buyer in a single transaction or series of related transactions (including all prior disposals by the Investor Shareholders to Third Party Buyers); or
 - (ii) sell or list any portion of their Shares in an IPO,

(**Tagging Shareholders**) and the Tagging Shareholders have not (if applicable) issued a Drag Notice pursuant to clause 12 (or has withdrawn such Drag Notice), the Tagging Shareholders must give an Invitation to Tag to each Non-Investor Shareholder (**Tagged Shareholders**) (with a copy to the Company).
- (b) Each Shareholder will pay to each Investor Shareholder \$1.00 for the creation of the rights under this clause. The consideration due under this clause 13.1(b) will be offset by the consideration due under clause 12.1(b).

13.2 Contents of Invitation to Tag

- (a) An Invitation to Tag must state:
 - (i) the identity of the proposed Third Party Buyer (except where the identity of the Third Party Buyer is unknown due to the proposed sale being by way of auction or dual-track Trade Sale or IPO);
 - (ii) to the extent applicable, the maximum number of Securities the Tagging Shareholders wishes to sell to the Third Party Buyer (**Maximum Tag Threshold**);
 - (iii) the number of Securities proposed to be sold by the Tagging Shareholders (**Tagging Shareholders' Sale Shares**) and the percentage of the total number of Securities held by the Tagging Shareholders proposed to be sold (in each case, a **Tag Proportion** of the relevant class of Security, as applicable);
 - (iv) the sale price for each Security (except where the sale price is unknown due to the proposed sale being by way of auction or dual-track Trade Sale or IPO) (**Tag Price**) to be sold by the Tagging Shareholders (which need not be cash consideration) and any other terms of the proposed sale by the Tagging Shareholder(s) to the Third Party Buyer (**Tag Terms**);
 - (v) that the Tagged Shareholder has an option (**Tag Option**) to direct the Tagging Shareholders to include in the sale to the Third Party Buyer the Tag Proportion of the Tagged Shareholder's Securities (the **Tagged Shares**), at the Tag Price per Security and on terms no less favourable to the Tagged Shareholder than the terms contained in the Tag Terms. Any securities to be issued to the Tagging Shareholders and the Tagged Shareholders as consideration for any Transfer of Securities under this clause 13 must be the same class, including with the same economic and voting rights; and
 - (vi) the period during which the Tag Option may be exercised, which must not be less than 20 Business Days from the date of the Invitation to Tag.

13.3 Exercise of a Tag Option

- (a) A Tag Option may be exercised by notice in writing to the Tagging Shareholders (with a copy to the Company) within the exercise period stated in the Invitation to Tag.
- (b) Subject to clause 13.3(c), any exercise of a Tag Option must be for all Tagged Shares and is irrevocable. Unless the Tagged Shareholders agree otherwise, the Tagging Shareholders may not sell any of its Securities to the Third Party Buyer pursuant to the offer to which the Invitation to Tag relates if the Third Party Buyer does not agree to purchase the Tag Proportion of each Tagged Shareholder's Securities.
- (c) Where, following the exercise of the Tag Option, the sum of the Tagged Shares and the Tagging Shareholders' Sale Shares would exceed the Maximum Tag Threshold, the Tagging Shareholders may elect in its sole discretion to reduce the number of the Tagging Shareholders' Sale Shares (which, for the avoidance of doubt, will result in a reduction of the Tag Proportion as set out in the Invitation to Tag).

13.4 Effect of exercise of Tag Option

If a Tagged Shareholder exercises its Tag Option:

- (a) the Tagged Shareholder must sell all Tagged Shares to the Third Party Buyer on the terms stated in the Invitation to Tag;
- (b) the parties must do all things and execute such documentation as is reasonably necessary or is reasonably required by the Tagging Shareholders to effect the proposed sale to the Third Party Buyer, subject to the sale agreement complying with the provisions of clause 13.4(d);
- (c) the Tagging Shareholders must not complete the proposed sale to the Third Party Buyer unless at the same time, the Third Party Buyer offers to buy all the Tagged Shares of each Tagged Shareholder for which a valid notice of exercise has been provided on the terms stated in the Invitation to Tag; and
- (d) the Tagging Shareholders may require each Tagged Shareholder (and their Relevant Individual) to give reasonable representations, warranties and indemnities under any agreements relating to the purchase of such Tagged Shares, the Business or the Group, provided that:
 - (i) such representations, warranties and indemnities are given on an equivalent basis to and subject to the same liability regime as those given by the Tagging Shareholders, which must be:
 - (A) on a several (but not joint) basis;
 - (B) in respect of liability for warranties (other than warranties in relation to title and capacity), given by Shareholders in their Relevant Proportion; and
 - (C) in respect of liability for warranties in relation to title and capacity, given by Shareholders in respect of their Securities only;
 - (ii) the liability of each Tagged Shareholder (and its Relevant Individual, if applicable) arising from a breach of any such representations, warranties

and indemnities is limited to the proportion of the consideration actually received by the Tagged Shareholder (and its Relevant Individual, if applicable); and

- (iii) the Tagging Shareholders must use their best endeavours to procure that warranty and indemnity insurance is obtained to minimise any exposure to all Shareholders on terms in line with prevailing market practice, provided such insurance is available at a reasonable cost. Any cost associated with that warranty and indemnity insurance will be shared on a pro-rata basis by all Shareholders, other than where such cost is borne by the Third Party Buyer.

13.5 Power of attorney

On default by a Tagged Shareholder of their obligations under this clause 13, that Tagged Shareholder irrevocably appoints the Company as its attorney in accordance with clause 26.6 to perform its obligations under this clause 13.

14 IPO

14.1 IPO

If following the initiation of an Exit Event pursuant to clause 11.1 the Board (by Investor Board Approval) wishes to pursue an IPO, each other Shareholder will, as considered necessary or desirable by the Board in connection with the IPO:

- (a) sell down or retain as part of the IPO such interests in the Company (or the entity being listed) as the Investor Shareholders are selling down or retaining;
- (b) enter into any reasonable escrow arrangements in relation to their Securities as may reasonably be required by the relevant Securities Exchange or the Board (having regard to the advice of the underwriters, joint lead managers or financial advisors to the IPO) and provided such escrow arrangements are no less favourable to the Shareholder than those agreed to by the Investor Shareholders;
- (c) to the extent necessary or desirable, each Shareholder holding (together with Shareholders who qualify as its Permitted Transferees) more than 5% of the Securities will in good faith:
 - (i) assist the Company in preparing a prospectus or similar disclosure document;
 - (ii) provide all reasonable assistance necessary to obtain requisite Securities Exchange and shareholder approvals for the IPO;
 - (iii) provide all reasonable assistance for marketing activities, including road shows; and
 - (iv) take all actions reasonably required by the Company in order to effect a restructure of the Company or buyback, exchange or conversion of some or all of its Securities (which may involve the exchange of Securities in the Company for securities in a different entity which is to be listed), provided that no Shareholder is materially disadvantaged by that process,

in each case to achieve an IPO on the terms and structure identified by the Board.

14.2 Company's obligations

Without limiting the generality of clause 14.1, the Company must:

- (a) pay the costs of preparing the prospectus (or other relevant offer document), advisory fees, underwriting commissions (if any), expenses of due diligence investigations, Securities Exchange fees, fees of the relevant regulatory authorities, legal fees, expert's fees, printing expenses and postage expenses; and
- (b) use its best endeavours to satisfy all terms and conditions of admission to listing imposed by the Securities Exchange.

14.3 Power of attorney

In consideration of each Non-Investor Shareholder entering into this deed, a Non-Investor Shareholder that has received a notice from the Board requiring an action contemplated under clause 14.1 in connection with the IPO irrevocably appoints the Company, upon its default of an obligation under clause 14.1, to be its attorney in accordance with clause 26.6 to perform its obligations under clause 14.1.

15 Compulsory acquisition or transfer

15.1 Shareholder Default

- (a) If a Shareholder or its Relevant Individual, commits an Event of Default (**Defaulting Shareholder**), the Board (excluding the Defaulting Shareholder and any Director or observer nominated by that Defaulting Shareholder, each of whom must not be present or participate in any deliberations, decision or vote of the Board in connection with such Event of Default) may determine that all or any portion of the Defaulting Shareholder's Securities shall be sold to:
 - (i) Investor Shareholders in their Relevant Proportion;
 - (ii) the Company; or
 - (iii) a Third Party Buyer (as determined by the Board) subject to any right of pre-emption exercised by the Investor Shareholders to purchase all or a portion of the Defaulting Shareholder's Securities sold,in accordance with this clause 15.1.
- (b) A determination of the Board under clause 15.1(a) must be notified to a Defaulting Shareholder within 20 Business Days of the Event of Default occurring.
- (c) The purchase price for the Securities under this clause 15.1 will be an amount equal to:
 - (i) in the case of an Event of Default under paragraph (a) of the definition of that term, the Fair Value of those Securities; or
 - (ii) in the case of an Event of Default under either paragraphs (b) or (c) of the definition of that term, 85% of the Fair Value of those Securities.

15.2 Small Holdings

- (a) After the first anniversary of the Implementation Date, the Board may at any time serve a written notice (**Small Holding Disposal Notice**) on a Small Shareholder that it requires the Small Shareholder to Dispose of all of its Small Holding Securities on the terms in this clause 15.2.
- (b) For the avoidance of doubt, under this clause 15.2, Small Shareholders may be requested by the Board to Dispose of their Small Holding Securities at different times and in different manners subject to:
 - (i) the price per Small Holdings Securities being the Fair Value of those Shares at the date of the relevant Small Holding Disposal Notice; and
 - (ii) no Small Shareholder being required to Dispose of only some of its Securities.
- (c) Small Holding Disposal Notices may be given at multiple times.
- (d) A Small Holding Disposal Notice must state:
 - (i) how the Board requires the Small Shareholder to Dispose of its Small Holding Securities, including whether the Small Holding Securities will be bought-back, redeemed, cancelled (including by way of capital reduction) and / or transferred to another Shareholder or third party nominated by the board;
 - (ii) the Fair Value per Security comprising of the Small Holding Securities the subject of the Small Holding Disposal Notice and the methodology for calculating the relevant per share value of the Securities comprising of the Small Holding Securities;
 - (iii) the date or dates on which the Disposal of the Small Shareholder's Small Holding Securities will be completed.
- (e) If a Small Holding Disposal Notice is given, each Small Shareholder must Dispose of its Small Holding Securities on the terms stated in the Small Holding Disposal Notice given by the Company in accordance with clause 15.2(c).
- (f) A Small Holding Disposal Notice is revocable and may be amended by the Company (in each case, with the consent of the Board) and by written notice to the relevant Small Shareholder) without the consent of the Small Shareholder.
- (g) The Company and all Shareholders:
 - (i) must take all actions requested by the Board to give effect to the transactions contemplated by a Small Holding Disposal Notice; and
 - (ii) must enter into and execute all documents as required by the Board in connection with and to give effect to a Small Holding Disposal Notice.
- (h) Completion of the transactions the subject of a Small Holding Disposal Notice must occur on the date or dates specified in the relevant Small Holding Disposal Notice or any other date determined by the Board and notified to the relevant Small Shareholder.

- (i) Each Small Shareholder irrevocable appoints the Company as its attorney in accordance with clause 26.6 on default of its obligations under this clause 15.2.

15.3 Fair Value

- (a) Where this deed requires a determination of Fair Value, the Board must, within 5 Business Days of the date on which the need for valuation arises, appoint an appropriate independent professional valuer (which must be one of PricewaterhouseCoopers, KPMG, Ernst & Young or Deloitte, unless otherwise agreed by Investor Board Approval) (**Valuer**) to:
 - (i) determine the Fair Value in accordance with this clause 15.3; and
 - (ii) as soon as reasonably practicable and, in any event, no later than 20 Business Days following the Valuer's appointment, provide a report to the Company setting out the results of its valuation, including its determination of the Fair Value of Securities, expressed as a per Security price, and an explanation of the methodologies used to conduct the valuation.
- (b) The Board must instruct the Valuer to determine the Fair Value:
 - (i) as at the date on which the need for valuation arises;
 - (ii) on the basis that a seller of Securities is a willing (but not anxious) seller dealing at arm's length with a willing (but not anxious) buyer for the Securities;
 - (iii) without taking into account any element of control that a Shareholder may obtain as a result of acquiring all or part of another Shareholder's Securities in addition to the Shareholder's existing Securities;
 - (iv) if the Group is then carrying on business as a going concern, on the assumption that it continues to do so;
 - (v) taking into account the historical financial performance of the Group and the profit, strategic positioning, future prospects and undertakings of the Business;
 - (vi) by performing the valuation in accordance with accounting principles and practice generally accepted in Australia and applied consistently;
 - (vii) on the assumption that all Securities have the same value; and
 - (viii) taking into account any other matter (not inconsistent with the above) that the Valuer considers is appropriate.
- (c) The Company and each Shareholder must provide all information reasonable requested by the Valuer.
- (d) The Valuer acts as an independent expert and not as an arbitrator when valuing Securities.
- (e) The Valuer's report provided under clause 15.3(a)(ii) is binding on the Company and each Shareholder in the absence of manifest error.
- (f) The Company must pay the costs of the Valuer.

15.4 Suspension of rights

If an Event of Default occurs (or is occurring) in respect of a Shareholder then from that date until such time as the Event of Default ceases to exist or there is a Transfer of Securities as contemplated by clause 15.1:

- (a) any Nominee Director appointed by the Defaulting Shareholder is not entitled to vote at a meeting of the Board or exercise any other rights granted to the Director under this document or at law;
- (b) the Defaulting Shareholder is not entitled to vote at a meeting of Shareholders or exercise any other rights granted to a Shareholder under this document or at law; and
- (c) in the case of an Event of Default under either paragraphs (b) or (c) of the definition of that term, any distributions or dividends paid by the Company that would be payable to the Defaulting Shareholder must be retained by the Company unless the Board resolves otherwise (and for the avoidance of doubt, the Nominee Director of the Defaulting Shareholder will be conflicted from any such decision).

15.5 Other remedies

The rights and remedies contained in this clause are in addition to and not to the exclusion of any other rights or remedies that a party may have against a party in default of this deed.

15.6 Authorisations

The parties must do all things necessary to ensure that the Company may acquire any Shares as contemplated by this clause 15.

16 Restraint on Shareholders

16.1 Restraint

For the purposes of promoting the commercial objectives of the Group and the Business, each Restrained Party undertakes to the Company that during the Restraint Period, that Restrained Party will not, and must procure that each of their respective Affiliates will not:

- (a) be involved within the Restraint Area in any capacity in any business or activity which:
 - (i) sells, markets or manages Australian residential real estate (excluding residential development sites);
 - (ii) provides Australian residential mortgage broking services;
 - (iii) trains Australian residential real estate agents;
 - (iv) provides auction services in the Australian residential sector; or
 - (v) offers the same or substantially similar products or services within Australia as those offered by the business or any Group Company;

- (b) directly or indirectly solicit any person who was a customer, client or supplier of the Business or any Group Company in the preceding 12 months prior to the end of the Restraint Period;
- (c) directly or indirectly entice or endeavour to entice from any Group Company any person who is, or was during the then preceding 12 months, an employee, consultant or officer in a managerial role of any Group Company; or
- (d) at any time, act in any way which may harm or prejudice the reputation or good name of the Business or Group Company.

16.2 Acknowledgement

Each Restrained Party acknowledges that:

- (a) the Restraint is reasonable in the circumstances and necessary to protect the goodwill of the Business;
- (b) damages are not an adequate remedy if the Relevant Individual or Restrained Party breaches this clause 16;
- (c) it has had the opportunity to receive independent legal advice as to the operation and effect of this clause 16; and
- (d) this clause 16 survives termination of this deed.

16.3 Deletion of restrictions

If any part of the Restraint goes beyond what is reasonable in the circumstances and necessary to protect the goodwill of the Business but would be reasonable and necessary if any activity were deleted or a period or area were reduced, then the Restraint applies with that activity deleted or period or area reduced by the minimum amount necessary to make the Restraint reasonable in the circumstances.

16.4 Severance

Each part of the Restraint has effect as a separate and severable restriction and is to be enforced accordingly.

16.5 Permitted exceptions

The restriction in clause 16.1 does not prevent any Restrained Party or their respective Restrained Affiliates from:

- (a) holding (directly or through an Affiliate) in aggregate up to 5% of the shares in any entity listed on any Securities Exchange;
- (b) continuing to hold (directly or through an Affiliate) any interest that a Shareholder held as at the Implementation Date;
- (c) in the case of the Investor Shareholders, continuing to operate their respective businesses in the manner in which they are conducted as at the date of this deed; and
- (d) doing anything with the prior written consent of the Company.

16.6 Injunctive Relief

The Company or any Shareholder may apply for injunctive relief if it believes a Restrained Party is likely to breach this clause 16 or if a Restrained Party has breached or threatened to breach this clause 16.

17 Nominee arrangements

17.1 Interpretation

In this clause the following definitions apply unless the context otherwise requires:

Expense means any liability, cost, expense, loss or damage.

Nominee Indemnity Provision means clauses set out in the Nominee Deed in relation to the matters set out in clauses 17.9(d) and 17.9(e) of this Deed.

Obligations means all obligations and liabilities of whatever kind undertaken or incurred by, or devolving upon, the Nominee under or in respect of this document or the Nominee Deed.

Overhead Cost means overhead expenses, including rent, office maintenance and salaries.

Relevant Trust has the meaning given in clause 17.9(b).

17.2 Intended operation of this clause

- (a) The parties confirm that the principle to which this clause 17 is intended to give effect is that the voting, economic and other interests of a Non-Investor Shareholder or Management Shareholder under this Deed and in respect of the Non-Investor Shareholder's or Management Shareholder's holding of Securities should, assuming that the Nominee, Non-Investor Shareholder and Management Shareholder act in accordance with this deed and the Nominee Deed, be neither enhanced nor impaired as a consequence of appointing the Nominee as bare trustee in respect of the Non-Investor Shareholder's or Management Shareholder's Securities. For the avoidance of doubt, no Investor Shares will be held through the Nominee.
- (b) Each party must take all actions within its power and authority, including giving relevant instructions to the Nominee, and in case of a Beneficial Holder, exercising its rights in its capacity as appointer of the Nominee as bare trustee for it, to give effect to the principle in clause 17.2(a).
- (c) Clauses 17.3 to 17.7 (inclusive) are to be interpreted subject to, and in a manner consistent with, the principle outlined in clause 17.2(a).

17.3 General

- (a) The Company will appoint a Nominee to hold the legal title to certain Securities.
- (b) Unless otherwise determined by the Board by Investor Board Approval and subject to clause 17.3(c), each Non-Investor Shareholder or Management Shareholder will hold its Securities through the Nominee.

- (c) Any Non-Investor Shareholder that holds more than 5% of Securities will be entitled to hold its Securities directly and not through the Nominee.
- (d) The parties acknowledge that following appointment of a Nominee under clause 17, some parties to this Deed:
 - (i) have rights and obligations under this Deed as Shareholders; but
 - (ii) do not hold legal title to Securities and are instead Beneficial Holders in relation to Securities held by the Nominee as bare trustee on their behalf as contemplated by the Nominee Deed.
- (e) The provisions in this clause 17 (subject to any changes reasonably required by the Nominee and accepted by the Company) apply in these cases.
- (f) To the extent that the provisions of this clause 17 require amendment under clause 17.3(e) following appointment of a Nominee (in accordance with the principle outlined in clause 17.2(a), the Board may amend this clause 16 (and make any additional necessary consequential changes to this Deed).

17.4 Beneficial Holders

- (a) Where a Shareholder is a Beneficial Holder, then for the purposes of any references in this Deed to the Shareholder's Securities, or to Securities held by the Shareholder (or any similar expression), the Shareholder is to be regarded as holding its Beneficial Shares. For the avoidance of doubt (but without limitation):
 - (i) in the context of any requirement that an act be approved by Shareholders holding at least a given percentage of all Securities, Shareholders who are Beneficial Holders are to be treated as holding their Beneficial Shares; and
 - (ii) a requirement that a Shareholder maintain a minimum shareholding applies in relation to a Shareholder who is a Beneficial Holder by reference to the number of its Beneficial Shares;
- (b) The Nominee is not itself to be regarded for the purposes of this Deed as a 'Shareholder' in respect of, or to otherwise hold, Securities which it holds as bare trustee for Beneficial Holders.
- (c) Clauses 17.4(a) and 17.4(b) do not apply in relation to clause 7. The parties recognise that the Nominee, as registered owner of the Securities it holds on behalf of the Beneficial Holders, is the person legally entitled to voting rights and dividends in respect of those Securities and that the Nominee is to be regarded as the relevant 'Shareholder' (to the exclusion of the relevant Beneficial Holders) for the purposes of clauses 4 and 7. However, the parties acknowledge:
 - (i) instructions may be given by each Beneficial Holder to the Nominee under the Nominee Deed in relation to voting and other dealings in respect of the Beneficial Holder's Beneficial Shares; and
 - (ii) directions may be given by each Beneficial Holder to the Nominee in relation to dividends as provided in clause 17.7 below.
- (d) Obligations on Shareholders who are Beneficial Holders to exercise voting rights or take other steps as registered holder of Securities are to be interpreted as obligations to ensure that the Nominee takes the relevant steps (at the Beneficial

Holder's direction, or by the Company on behalf of the Beneficial Holder, acting under power of attorney, or otherwise).

- (e) The Nominee agrees that it will comply with the terms of the Nominee Deed in relation to each Beneficial Holder's Beneficial Shares for the benefit of the relevant Beneficial Holder, as though each Beneficial Holder was a party to a separate Nominee Deed in place of the Company.
- (f) The Nominee agrees that it will comply with the terms of the Nominee Deed in relation to each Beneficial Holder's Beneficial Shares for the benefit of the relevant Beneficial Holder, as though each Beneficial Holder was a party to a separate Nominee Deed in place of the Company.

17.5 Dealings in Securities

- (a) Clause 10 applies to a Shareholder who is a Beneficial Holder so that (for the avoidance of doubt) restrictions on Disposing of the Shareholder's Securities include any dealings in its beneficial interest in its Beneficial Shares and any dealings in the legal title to those Securities by the Nominee (at the Beneficial Holder's direction, or by the Company on behalf of the Beneficial Holder acting under power of attorney, or otherwise).
- (b) Where this Deed contemplates the sale, purchase or transfer of some or all of a Shareholder's Securities, the relevant provisions apply in relation to a Shareholder who is a Beneficial Holder so that references to the sale, purchase or transfer of the Shareholder's Securities are to be construed as references to:
 - (i) the sale, purchase or transfer by the Shareholder of its beneficial interest in its Beneficial Shares; and
 - (ii) (without limiting clause 17.6 below in circumstances where the Nominee is to retain legal title to the relevant Securities) the Shareholder procuring the concurrent transfer of legal title in those Beneficial Shares by the Nominee,and obligations on Shareholders who are Beneficial Holders to offer Securities for sale, purchase, or transfer are to be construed in a corresponding manner.
- (c) In the context of a transferor who is a Beneficial Holder, the relevant Securities transfer form must be executed by the Nominee as registered holder.
- (d) Where this Deed permits any party to issue, transfer or sell Securities to any person, that includes permission to issue, transfer or sell Securities to the Nominee as bare trustee for the relevant person.
- (e) The restrictions on transfer in this Deed do not apply to prevent the transfer of bare legal title in Securities held by the Nominee as bare trustee for Beneficial Holders to a replacement trustee, as contemplated by the Nominee Deed.
- (f) Each Shareholder and Management Shareholder who is a Beneficial Holder irrevocably appoints the Company as its attorney in accordance with clause 26.6 on default by it of performance of its obligations under this clause 17.5.

17.6 Legal title to remain with Nominee

- (a) A Shareholder who is a Beneficial Holder must not without the consent of the Board direct the Nominee to Transfer (or otherwise procure the Transfer of) legal title to any of its Beneficial Shares to itself.

- (b) Unless the Board agrees otherwise in writing, a Shareholder who is a Beneficial Holder may transfer Securities to a Permitted Transferee under clause 10.2 on the basis that the Nominee is directed to hold legal title to the relevant Securities as bare trustee on behalf of the transferee (ie the Shareholder may only transfer the beneficial interest in its Beneficial Shares without a transfer of legal title).
- (c) Each party who is a Beneficial Holder irrevocably directs the other parties that if the Beneficial Holder becomes entitled to receive any additional Securities whether by way of issue or transfer (and whether under this Deed or otherwise), then unless the Company has consented to another holding arrangement in relation to the relevant transaction, the issue or transfer must be made in favour of the Nominee on the basis that the Securities are to be held by the Nominee as bare trustee for the Beneficial Holder.
- (d) In relation to issues of Securities:
 - (i) an offer to a Shareholder who is a Beneficial Holder to participate in an issue of Securities or other equity securities on the basis that legal title to the relevant Securities will be issued to the Nominee as bare trustee for the Beneficial Holder will not be regarded for that reason alone as being on different terms from the terms offered to other Shareholders in circumstances where other Shareholders will receive legal and beneficial ownership; and
 - (ii) clauses 8 and 9 apply in relation to an issue of Securities to the Nominee as bare trustee for a Beneficial Holder by reference to the ability of the Company to make an offer of the beneficial interest in the Securities to the relevant Beneficial Holder.
- (e) Each party who is a Beneficial Holder must give all necessary directions to the Nominee to ensure compliance with this clause 17.6.
- (f) Each Non-Investor Shareholder irrevocably appoints the Company as its attorney in accordance with clause 26.6 on default by it of performance of its obligations under this clause 17.6.

17.7 Dividends

- (a) The parties acknowledge that the Nominee Deed entitles each Shareholder who is a Beneficial Holder to act as the Nominee's attorney in relation to the matters stated in the Nominee Deed, including giving directions to the Company in respect of the payment of dividends.
- (b) Each Shareholder who is a Beneficial Holder directs the Company to pay dividends in respect of Securities which are that Shareholder's Beneficial Shares directly to the Shareholder as Beneficial Holder. This clause does not affect the right of any party to change the direction from time to time.

17.8 Indemnity and liability of Nominee

- (a) Pursuant to the terms of the Nominee Deed, the Nominee must, to the maximum extent permitted by law, and notwithstanding any other provision of this Deed, act on the direction of the Beneficial Holders under a power of attorney or otherwise, to the intent that each Beneficial Holder exercises day-to-day control over the operation of the trust under which its Beneficial Shares are held.

- (b) Each party who is a Beneficial Holder agrees to be bound by the terms of the Nominee Deed which contemplate that the Beneficial Holder:
 - (i) indemnifies the Nominee for or in respect of any Expense which the Nominee pays, suffers, incurs or is liable for arising out of or in connection with; and
 - (ii) covenants with the Nominee not to claim, sue or take any action against the Nominee in relation to,

anything done by the Nominee at the direction of or on behalf of the Beneficial Holder, or by reason of the Beneficial Holder's Beneficial Shares being registered in the name of the Nominee.
- (c) The indemnity and covenant in clause 17.8(b) does not apply to:
 - (i) any Expense which arises as a result of the Nominee's (or any of its officers', employees', or agents') fraud, negligence, dishonesty, wilful misconduct, breach of any of its obligations under this Deed or the Nominee Deed or breach of trust; or
 - (ii) the Overhead Costs of the Nominee, fees of a Related Body Corporate of the Nominee as custodian of the Nominee and fees of a subcustodian, nominee or other delegate of such a custodian of the Nominee; or
 - (iii) the extent that the Nominee is entitled to recover and is actually indemnified for any such Expenses or Overhead Costs by the Company under the terms of the Nominee Deed or from the assets of the relevant trust under the terms of the Nominee Deed.
- (d) Each party acknowledges that the Nominee is obliged to act in accordance with the directions of the Beneficial Holders in relation to their respective Beneficial Shares. Any breach of this Deed that arises out of the Nominee complying with a direction given by a Beneficial Holder in relation to that Beneficial Holder's Beneficial Shares (Directed Breach) is to be construed for all purposes as a breach by the relevant Beneficial Holder and not by the Nominee, and, without limitation:
 - (i) the Nominee is released from any claim, action, demand, suit or proceeding for damages, debt, specific performance or any other remedy in respect of any Directed Breach; and
 - (ii) each party (other than the Nominee) covenants not to claim, sue or take any action against the Nominee in respect of any Directed Breach.
- (e) Each indemnity given by a Beneficial Holder in this clause 17.8:
 - (i) is an additional, separate and independent obligation of the Beneficial Holder and no one indemnity limits the generality of any other indemnity; and
 - (ii) survives termination of this Deed and the Nominee Deed.

17.9 Limitation of Nominee's liability

- (a) This limitation of the Nominee's liability applies despite any other provisions of this deed and extends to all Obligations of the Nominee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this deed.

- (b) Subject to clauses 17.9(h) and 17.9(i), the Nominee will be bound by this document only in its capacity as trustee of each trust created under the Nominee Deed (each a Relevant Trust) and in no other capacity.
- (c) Subject to clauses 17.9(h) and 17.9(i) the parties (other than the Nominee) acknowledge that the Nominee incurs the Obligation solely in its capacity as trustee of each Relevant Trust and that the Nominee will cease to have any Obligation under this document which arises after the time the Nominee ceases to be a legal holder of the relevant Beneficial Shares as trustee of the Relevant Trust.
- (d) Subject to clauses 17.9(h) and 17.9(i), the Nominee will not be liable to pay or satisfy any Obligations except to the extent that the Nominee is actually indemnified under the Nominee Indemnity Provisions or to the extent that and at the time the Nominee would, if the Nominee exercised its entitlement to be indemnified in respect of that liability under the Nominee Indemnity Provisions.
- (e) Subject to clauses 17.9(g) and 17.9(i), the parties (other than the Nominee) may enforce their rights against the Nominee arising from the non-performance of the Obligations only to the extent of the Nominee's right to be indemnified under the Nominee Indemnity Provisions.
- (f) Subject to clauses 17.9(h) and 17.9(i), if a party (other than the Nominee) does not recover all money owing to it arising from the non-performance of the Obligations, it may not seek to recover the shortfall by:
 - (i) bringing proceedings against the Nominee in its personal capacity or
 - (ii) applying to have the Nominee put into administration or wound up or applying to have a receiver or similar person appointed to the Nominee or proving in the administration or winding up of the Nominee.
- (g) Subject to clauses 17.9(h) and 17.9(i), each party (other than the Nominee) waives its rights and releases the Nominee from any personal liability whatsoever, in respect of any loss or damage:
 - (i) which it may suffer as a result of any:
 - (A) breach by the Nominee of any of its Obligations;
 - (B) or non-performance by the Nominee of the Obligations; and
 - (ii) which cannot be paid or satisfied out of the proceeds of the indemnities given under the Nominee Indemnity Provisions.
- (h) The parties acknowledge that the whole of this document is subject to this clause 17.9 and that the Nominee shall in no circumstances be required to satisfy any liability of the Nominee arising under, or for non-performance or breach of any Obligations out of any funds, property or assets other than the proceeds of the indemnities given under the Nominee Indemnity Provisions as and when they are available to the Nominee to be applied in exoneration for such liability provided that, subject to clause 17.9(i), if the liability of the Nominee arising under, or for non-performance or breach of any Obligations is not fully satisfied out of the proceeds of the indemnities given under the Nominee Indemnity Provisions due to the negligence, breach of any obligations under the Nominee Deed or breach of trust (excluding any breach that arises as a result of any fraud, dishonesty or wilful misconduct) by the Nominee or any of its officers, employees or agents in the performance of the Nominee's duties as trustee of the Relevant Trusts, the

Nominee will be liable to pay out of its own funds, property and assets the unsatisfied amount of that liability, but will not be liable to pay an amount that is greater than the amount that the Nominee would have been able to recover under the Nominee Indemnity Provisions in relation to the relevant liability if its right to be indemnified under the Nominee Indemnity Provisions had not been prejudiced.

- (i) Clause 17.9(b) to 17.9(h) do not apply to any damages suffered by or amounts owing to another party which result from a breach or non-performance of an Obligation by the Nominee to the extent that those damages or amounts owing are not satisfied because the right of the Nominee to be indemnified under the Nominee Indemnity Provisions is prejudiced as a result of any fraud, dishonesty, or wilful misconduct by the Nominee or any of its officers, employees or agents in the performance of the Nominee's duties as trustee of the Relevant Trusts.
- (j) The parties (other than the Nominee) agree that no act or omission of the Nominee (including any related failure to satisfy any Obligations) will constitute fraud, negligence, breach of trust, breach of any obligations under the Nominee Deed, dishonesty or wilful misconduct of the Nominee or of any of its officers, employees or agents for the purposes of this clause 17.9 to the extent to which the act or omission was caused or contributed to by any failure of a party to this Deed (other than the Nominee) or any other person (other than an officer, employee or agent of the Nominee) to fulfil its obligations relating to the Relevant Trusts or by any other act or omission of a party to this Deed (other than the Nominee) or any other person (other than an officer, employee, or agent of the Nominee).
- (k) No attorney, agent, or other person appointed in accordance with this document has authority to act on behalf of the Nominee in a way which exposes the Nominee to any personal liability (except in accordance with the provisions of clause 17.9) and no act or omission of such a person will be considered fraud, negligence, dishonesty, wilful misconduct, breach of any obligations under the Nominee Deed or breach of trust by the Nominee or an officer, agent or employee of the Nominee for the purposes of this clause 17.9.

17.10 Indemnity from Beneficial Holders

- (a) If the Company suffers, incurs or is liable to the Nominee for any Expenses arising out of or in connection with any Securities held by the Nominee on behalf of a Beneficial Holder, subject to clause 17.10(b), the relevant Beneficial Holder must indemnify the Company in respect of those Expenses.
- (b) The Company agrees with each Beneficial Holder that it will meet the Nominee's out-of-pocket expenses and any internal costs of the Nominee relating to actions and directions by the Beneficial Holder in relation to its Beneficial Shares in the ordinary course. This does not apply in relation to Expenses that would have been incurred in comparable circumstances by the Beneficial Holder had it been the registered holder of the relevant Securities.
- (c) For the avoidance of doubt, clause 17.10(b) does not apply in relation to:
 - (i) any Taxes or duties in relation to any Securities or dealings in Securities; or
 - (ii) any expenses or liabilities arising in connection with any action or direction by a Beneficial Holder which is in breach of any legal or contractual obligation (including a breach of this Deed),

nor is it intended to require the Company to meet Expenses incurred as a result of actions or directions by a Beneficial Holder that are unreasonable or otherwise

outside the ordinary course (for example persistent requests for copies of the register of Beneficial Holders or other documents beyond what would reasonably be expected).

18 Confidential Information

18.1 Confidentiality obligations

Subject to clauses 18.2 and 18.3, each party must:

- (a) use the Confidential Information only for the purposes of the Business or in connection with the exercise of its rights or performance of its obligations under this deed and includes using such information to make decisions regarding its investment in the Company (including through its Directors);
- (b) keep the Confidential Information confidential and not disclose it or allow it to be disclosed to a Third Party; and
- (c) take or cause to be taken reasonable precautions necessary to maintain the confidentiality of the Confidential Information.

18.2 Permitted disclosure

- (a) A Shareholder may disclose Confidential Information to:
 - (i) Its Relevant Individual or an Affiliate of that Shareholder;
 - (ii) its Representatives who have a need to know (and only to the extent that each has a need to know) for the purpose of assisting the Shareholder and provided they are aware that the Confidential Information must be kept confidential and are subject to appropriate confidentiality obligations;
 - (iii) in respect of the Investor Shareholders only:
 - (A) to an existing or proposed debt or equity financier (or its advisers) to the Company, any of its Related Bodies Corporate or an Investor Shareholder, and to any of their respective directors, employees and professional advisers, provided in each case that they are aware that the Confidential Information must be kept confidential and are subject to appropriate confidentiality obligations;
 - (B) in connection with or as part of an IPO; or
 - (C) to a prospective buyer of Securities or a buyer of the Business who gives an appropriate confidentiality deed poll for the benefit of the Company.
 - (iv) with the prior written consent of the Board, unless the Confidential Information relates only to certain Shareholder(s) (or an Affiliate), in which case with the prior written consent of the party to whom the Confidential Information relates,

and provided that a Shareholder must not disclose any Confidential Information to any person other than its Relevant Individual who is Involved within the Restrained Area in any capacity in any business or activity which (x) sells, markets or manages Australian residential real estate (excluding residential development

sites), provides Australian residential mortgage broking services, trains Australian residential real estate agents or provides auction services in the Australian residential sector; or (y) the same or substantially similar products or services as those offered by the Business of any Group Company, but which will not prevent disclosure to such person where that person is a Third Party Buyer under this deed.

- (b) Where a Shareholder discloses Confidential Information under clause 18.2(a):
 - (i) it must ensure that such disclosee complies with the terms of this clause 18 as if it were the Shareholder; and
 - (ii) the Shareholder is responsible to each other party for any act or omission of the disclosee that would have breached this deed if the act or omission had been by the Shareholder.

18.3 Other exceptions

The obligations of confidentiality under this clause 18 do not extend to information that:

- (a) is disclosed to a party to this deed, but at the time of disclosure is rightfully known to or in the possession or control of the party and not subject to an obligation of confidentiality on the party;
- (b) is public knowledge (but not because of a breach of this deed or any other obligation of confidence);
- (c) must be disclosed by law or order of any court, tribunal, authority or regulatory body or in connection with the enforcement of this deed or by the rules of a relevant stock exchange (provided that the requirement to disclose did not result from a voluntary act on behalf of the person who is seeking to disclose), in which case, if practicable to do so, it shall give as much notice as is reasonable in all the circumstances to, and shall consult (to the fullest extent practicable in the circumstances) with, the other parties.

18.4 Ceasing to hold Securities

- (a) If a Shareholder ceases to hold Securities, it must on request from the Company immediately destroy all documents or other materials containing or referring to the Confidential Information that are in its power or control, including any information disclosed by it under clause 18.2(a) and subject to clause 18.4(b).
- (b) Clause 18.4(a) does not apply to the extent that a Shareholder (or its Affiliate or Representative to whom Confidential Information has been disclosed under clause 18.2(a)) is required by law or order of any court, tribunal, authority or regulatory body or in connection with the enforcement of this deed or by the rules of a relevant stock exchange, or professional indemnity insurance policy or any applicable professional standards, to retain any Confidential Information, or to that Confidential Information that such Shareholder reasonably retains under its internal document retention policies.
- (c) The rights and obligations of a Shareholder under this clause 18 continue to apply to a Shareholder even after it ceases to hold Securities.

18.5 Public announcements

A party must not make or authorise a press release or other public statement relating to the subject matter or terms of this deed unless:

- (a) it has the approval of the Board; or
- (b) it is required by law or order of any court, tribunal, authority or regulatory body or in connection with the enforcement of this deed or the listing rules of a relevant stock exchange, in which case, if practicable to do so, it shall give as much notice as is reasonable in all the circumstances to, and shall consult (to the fullest extent practicable in the circumstances) with, the Board.

18.6 Damages not an adequate remedy

Without prejudice to any other rights or remedies, the Shareholders acknowledge that damages may not be an adequate remedy for any breach of this clause 18.

19 GST

- (a) Any consideration or amount payable under this deed, including any non-monetary consideration (as reduced in accordance with subparagraph (e)(i) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this deed, an additional amount (**Additional Amount**) is payable by the party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (**Supplier**) in accordance with the GST Law.
- (c) The Additional Amount payable under clause 19(b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice within the same month where reasonably practicable and, in any event, no later than 14 days after the time of payment of the Additional Amount.
- (d) If for any reason (including, without limitation, the occurrence of an Adjustment Event) the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under clause 19(b):
 - (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
 - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
 - (iii) the Supplier must notify the Recipient of the refund, credit or further amount within the same month where reasonably practicable and, in any event, no later than 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within the same month where reasonably practicable and, in any event, no later

than 14 days after becoming aware of the occurrence of the Adjustment Event.

- (e) Despite any other provision in this deed:
 - (i) if an amount payable under or in connection with this deed (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred before the Additional Amount is calculated; and
 - (ii) no Additional Amount is payable under clause 19(b) in respect of a Supply to which section 84-5 of the GST Law applies.
- (f) Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of a GST Group of which the party is a member is entitled.
- (g) Any term in this clause that is capitalised and not defined in this deed has the same meaning as in the GST Law.

20 Representations and warranties

20.1 Capacity representations and warranties

Each Shareholder severally represents and warrants that:

- (a) they have full power and authority to enter into and perform their obligations under this deed;
- (b) they have taken all necessary action to authorise the execution, delivery and the performance of this deed; and
- (c) this deed constitutes their legal, valid and binding obligations, enforceable in accordance with the deed's terms.

20.2 Continuing obligation

The representations and warranties given under clause 20.1 are continuing obligations for the term of this deed.

21 Term

21.1 Commencement

This deed comes into effect on the date of this deed and, subject to clause 21.2, remains in effect until:

- (a) with respect to a Shareholder, the Shareholder has transferred all of their Securities in a manner contemplated by this deed;

- (b) with respect to a Relevant Individual, when none of the Relevant Individual's Affiliates holds any Securities, and such cessation has occurred in a manner permitted by this deed;
- (c) the parties agree to terminate this deed;
- (d) the Company goes into liquidation;
- (e) completion of an Exit Event occurs; or
- (f) all Securities on issue are held by one person.

21.2 Certain provisions continue

The termination of this deed with respect to a party does not affect:

- (a) any obligation of that party which accrued prior to that termination and which remains unsatisfied; and
- (b) clauses 16 or 20 or any other provision of this deed which is expressed to come into effect on, or to continue in effect after, termination of this deed.

22 Resolution of disputes

22.1 No proceedings

A party must not start court proceedings (except proceedings seeking interlocutory relief) in respect of a dispute arising out of this deed (**Dispute**) unless it has complied with this clause 22.

22.2 Notice of Dispute

A party claiming that a Dispute has arisen must give each party to the Dispute notice setting out details of the Dispute.

22.3 Best efforts to resolve Dispute

Each party to the Dispute (**Disputant**) must use its best efforts to resolve the Dispute within 20 Business Day after the notice is given under clause 22.2 (or any longer period agreed by the Disputants) (**Dispute Period**) which must include a good faith meeting held between senior representatives of the Disputants.

22.4 Termination of Dispute resolution process

If, within 10 Business Days after the end of the Dispute Period, the Disputants have failed to resolve the Dispute, a Disputant that has complied with clause 22.4 may terminate the dispute resolution process by giving notice to each other Disputant.

22.5 Breach of this clause

If a Disputant breaches clauses 22.1 to 22.5 (inclusive), each other Disputant does not have to comply with those clauses in respect of the relevant Dispute.

23 Limitation of liability – trustee

- (a) This clause 22 applies to each party that enters into this deed in a capacity as a trustee (**Trustee**) of a Trust (**Trust**).
 - (i) The parties acknowledge and agree that each Trustee enters into and performs this deed and the transactions contemplated by it in its capacity (as trustee of the applicable Trust and in no other capacity, including in respect of any past and future conduct (including omissions) relating to this deed or the transactions contemplated by it.
 - (ii) A liability arising under or in connection with this deed is limited to and can be enforced against the relevant Trustee only to the extent to which it can be satisfied out of the property of the relevant Trust out of which the relevant Trustee is actually indemnified for the liability.
 - (iii) If those assets are insufficient, the other parties will not seek to recover any shortfall by bring proceedings against the relevant Trustee personally and may not seek the appointment of a liquidator, administrator, receiver or similar person to the relevant Trustee or prove in any liquidation, administration or arrangement of or affecting the relevant Trustee.
 - (iv) Each other party waives its rights and releases the relevant Trustee from any personal liability whatsoever in respect of any loss or damage which cannot be paid or satisfied out of the assets of the relevant Trust.
 - (v) This limitation of liability applies despite any other provision of this deed and extends to all liabilities and obligations of the relevant Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this deed.
 - (vi) No party to this deed may sue the relevant Trustee in any capacity other than as trustee of the relevant Trust. This clause shall not apply to any obligation or liability of the relevant Trustee to the extent that it is not satisfied out of the assets of the relevant Trust because under the trust deed establishing the relevant Trust or by operation of law there is a reduction in the extent of the relevant Trustee's indemnification out of the assets of the relevant Trust as a result of the relevant Trustee's fraud, gross negligence, breach of trust or dishonesty.
 - (vii) Under or in connection with this deed, no party to this deed may:
 - (A) bring proceedings against the relevant Trustee that are inconsistent with the limitations set out in this clause 22; or
 - (B) take steps to have the relevant Trustee placed into any form of insolvency administration. The preceding sentence does not preclude appointing a receiver in respect of the assets of the relevant Trust.

24 Accession Deed Poll

24.1 New Shareholder

- (a) The Company may only issue Securities to a person not a party to this deed if the person (**New Shareholder**) has executed and delivered to the Company an Accession Deed Poll (except for an issue in connection with an IPO).
- (b) If the New Shareholder is a Manager or an Affiliate of a Manager, the Manager must also execute and deliver to the Company an Accession Deed Poll as a Relevant Individual of the New Shareholder.

24.2 Transferees

A Shareholder who wishes to Dispose of any of its Securities must ensure that any proposed transferee executes and delivers an Accession Deed Poll to the Company (except in the case of an IPO or where the proposed transferee is already a Shareholder) prior to such Disposal.

25 Notices and other communications

- (a) A notice, consent or other communication under this deed:
 - (i) must be in legible writing and in English;
 - (ii) must be addressed to the Shareholder to whom it is to be given to the postal address or email address as notified by that Shareholder for the purposes of this clause;
 - (iii) must be signed by the sender (if an individual) or an authorised representative of the sender;
 - (iv) must be either:
 - (A) delivered by hand or sent by pre-paid ordinary mail (by airmail if sent to or from a place outside Australia) to the party's address; or
 - (B) sent by email to the Shareholder's email address; and
 - (v) is deemed to be received by the party in accordance with clause 25(b).
- (b) A notice, consent or other communication under this deed is deemed to be received:
 - (i) if delivered by hand, when delivered to the Shareholder;
 - (ii) if sent by post, on the 3rd Business Day after the date of postage, or if to or from a place outside Australia, on the 7th Business Day after the date of postage; or
 - (iii) if sent by email:
 - (A) when the sender receives an automated message confirming delivery; or

- (B) 5 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,

whichever happens first,

but if the delivery or receipt is on a day which is not a Business Day or is after 5.00 pm (Shareholder's time) it is deemed to be received at 9.00 am on the following Business Day.

- (c) Notices sent by email need not be marked for attention in a particular way and are taken to be signed by the named sender.

26 General

26.1 Variation and waiver

- (a) Subject to applicable laws and clause 26.1(b), this deed may be amended by the Board with Special Board Approval. Each party is bound by any variation of this deed made pursuant to this clause and notified to the party.
- (b) Where an amendment would adversely affect the rights of:
 - (i) one or more of the Investor Shareholders, the variation must be in writing and signed by each Investor Shareholder; and
 - (ii) the Non-Investor Shareholders, the variation must be in writing and signed by Non-Investor Shareholders holding (in aggregate) more than 75% of the Securities held by Non-Investor Shareholders.
- (c) A provision of this deed, or a right created under it, may not be waived except in writing, signed by the party or parties to be bound.

26.2 No merger

The warranties, undertakings and indemnities in this deed do not merge on termination of this deed.

26.3 Further steps

Each party agrees, at its own expense, to do anything reasonably requested by another party to give effect to the provisions of this deed and the transactions contemplated by it.

26.4 Entire agreement

This deed and the Constitution constitute the entire agreement of the parties about the subject matter and supersede all previous agreements, understandings and negotiations on that subject matter.

26.5 Counterparts

This deed may consist of a number of copies, each signed by one or more parties to the deed. If so, the signed copies are treated as making up the one document and the date on which the last counterpart is executed is the date of the deed.

26.6 Powers of attorney

- (a) Each appointment of an attorney by a Shareholder or Relevant Individual under clauses 12.5, 13.5, 14.3, 15.2(i) and 17.5(f) (**Appointor**) is made on the following terms:
- (i) the Appointor irrevocably appoints the Company as its attorney to complete and execute such instruments and resolutions for and on its behalf as the attorney thinks necessary to give effect to any of the transactions contemplated by the relevant clause;
 - (ii) the Appointor agrees to ratify and confirm whatever the attorney lawfully does, or causes to be done, under the appointment;
 - (iii) the Appointor agrees to indemnify the attorney against all Claims, demands and costs arising in any way in connection with the lawful exercise of all or any of the attorney's powers and authorities under that appointment except in respect of Claims, demands and costs arising as a result of that attorney's fraud, negligence or wilful default; and
 - (iv) the Appointor agrees to deliver to the Company on demand any power of attorney, instrument of transfer or other instruments as the Company may require for the purposes of any of the transactions contemplated by the relevant clause.
- (b) Whenever an Appointor appoints an attorney under clauses 12.5, 13.5, and 14.3, it hereby appoints the Company as its agent as follows:
- (i) the Company will hold the purchase moneys on trust for the Appointor;
 - (ii) receipt by the Company of the purchase moneys will be good discharge of the buyer's obligation to the Appointor and the buyer will not be bound to see to the application of it; and
 - (iii) the Company must pay the purchase moneys to the Appointor on surrender of the relevant share certificates or other instruments of ownership (as appropriate for Securities other than shares),

and if the relevant default relates to the provision of share certificates, the Appointor indemnifies the buyer against any Claims, demands and costs arising in any way in connection with the non-provision of those share certificates.

27 Shareholders' relationship

27.1 Shareholder not liable for another party

Each Shareholder is responsible for its obligations under this deed and is not liable for any obligation of another party.

27.2 Relationship between Shareholders

Except where this deed expressly states otherwise, this deed does not create any relationship between the Shareholders under which a Shareholder:

- (a) is liable generally for the acts or omissions of another Shareholder; or

- (b) may share profits.

27.3 Authority of Shareholders

A Shareholder:

- (a) may not hold itself out as a partner of, or principal or agent or trustee of another Shareholder;
- (b) except where this deed expressly states otherwise, does not have authority to act for, or to create or assume any responsibility or obligation on behalf of another Shareholder; and
- (c) the rights, duties, obligations and liabilities of a Shareholder is in every case several, and not joint nor joint and several and, in any event, does not constitute a partnership between the Shareholders.

27.4 No fiduciary duties

Nothing in this deed gives rise to or is intended to give rise to any fiduciary duties between Shareholders or between a Shareholder and the Company.

27.5 No responsibility for tax

No party is responsible for the other party's obligations under the income tax laws of any applicable jurisdiction.

27.6 No partnership

Nothing in this deed is intended, or shall be deemed, to establish a partnership between the parties.

28 Governing law

28.1 Governing law

This deed is governed by the law in force in New South Wales.

28.2 Jurisdiction

Each party submits to the non-exclusive jurisdiction of the courts of New South Wales and courts of appeal from them. Each party waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

1 Dictionary

In this deed:

Acceptance Period has the meaning given to that term in 9.2(a)(v).

Accession Deed Poll means a deed poll in the form of Attachment A.

Accounting Standards means:

- (a) accounting standards approved under the Corporations Act and its requirements about the preparation and contents of account; and
- (b) Australia's equivalent to the International Financial Reporting Standards as approved by the Australia Accounting Standards Board.

Additional Amount has the meaning given in clause 19(b).

Affiliate means with respect to any person:

- (a) any other person which, directly or indirectly, Controls, is Controlled by, or is under common Control with, such first person; and
- (b) in respect of a person or Shareholder that is an individual, also includes:
 - (i) any Family Company or Family Trust of that person; and
 - (ii) any self-managed superannuation fund for that individual, the trustee of which is that individual, that individual and their spouse, or a Family Company of that individual.

Amount Incurred has the meaning given in clause 19(e).

Appointor has the meaning given in clause 26.6(a).

Auditor means the auditor of the Group approved by the Board from time to time.

BCL means BCL AUS Holdings Limited.

Beneficial Holders means a person on whose behalf the Nominee holds Securities as bare trustee.

Beneficial Shares in relation to a Beneficial Holder, means the Securities held by the Nominee as bare trustee for that Beneficial Holder.

Board means all or some of the Directors acting as the board of the Company.

Board Meeting has the meaning in clause 4.2.

Board Reserved Matters includes all of the matters set out in Schedule 2.

Budget means a budget, included consolidated profit and loss account, balance sheet and cash flow statement for the Group.

Business means the business of the Group.

Business Day means a day other than a Saturday, Sunday or public holiday in New South Wales.

Business Plan means the 3 year programme current from time to time for the conduct of the Business during the current and next 2 Financial Years, including the Budget for the current and next Financial Years.

CEO means the person appointed as the chief executive officer of the Company from time to time.

CFO means the person appointed as the chief financial officer of the Company from time to time.

Chairperson means the person appointed as Chairperson of the Board under clause 3.2(c) of this deed.

Claim means any allegation, debt, cause of action, liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent whether at law, in equity, under statute or otherwise.

Confidential Information means:

- (a) any information belonging to or about the Group, or a Shareholder or its Affiliates;
- (b) any information relating to a Transaction Document or any transaction contemplated by a Transaction Document;
- (c) all data bases, source codes, methodologies, manuals, artwork, advertising manuals, trade secrets and all financial, accounting, marketing and technical information, customer and supplier lists, know-how, technology, operating procedures and other information, used by or relating to the Group and its transactions and affairs;
- (d) all notes and reports incorporating or derived from the material referred to in paragraphs (a) or (b); and
- (e) all copies of the material referred to in paragraphs (a) to (c),

but excludes any information that:

- (f) is in, or becomes part of, the public domain other than through breach of this deed or an obligation of confidence owed to a Group Company; or
- (g) was already known to it at the time of disclosure by the Company or a Shareholder, other than as a result of a breach of an obligation of confidentiality; or
- (h) a party acquires from a source other than the Company or a Shareholder, where the source is entitled to disclose it.

Consideration has the meaning given in clause 19(a).

Constitution means the constitution of the Company from time to time.

Control has the meaning in section 50AA of the Corporations Act, and **Controlled** has a corresponding meaning except that, in addition, an entity controls a second entity if the

first entity would be taken to control the second entity but for section 50AA(4) of the Corporations Act. Without limiting the preceding sentence, an entity also Controls a Fund if it has the power, or controls (directly or indirectly) an entity with the power, to replace the trustee or legal representative of the Fund.

Corporations Act means the *Corporations Act 2001* (Cth).

CPI means the Consumer Price Index (all groups – weighted average of eight capital cities) published by the Australian Bureau of Statistics.

Directors means all or some of the directors of the Company from time to time, including any Nominee Director and any independent Director.

Dispose in relation to a person and any property means:

- (a) to sell, offer for sale, transfer, assign, surrender, gift, create an Encumbrance or option over, declare oneself a trustee of or part with the benefit of or otherwise dispose of that property (or any direct or indirect legal or beneficial interest in or over any rights in respect of any part of it);
- (b) to do anything which has the effect of placing a person in substantially the same position as if the person has done any of the things specified in paragraph (a); or
- (c) to attempt to do any of the things specified in paragraph (a),

and **Disposal** has a corresponding meaning.

Dispute has the meaning given in clause 22.1.

Disputant has the meaning given in clause 22.2.

Drag Notice means a notice given in accordance with clause 12.2.

Drag Price has the meaning given in clause 12.2.

Drag Sale Terms has the meaning given in clause 12.2.

Dragged Shares has the meaning given in clause 12.2.

Dragged Shareholder has the meaning given in clause 12.1.

Dragging Shareholder has the meaning given in clause 12.1.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, Claim, covenant, profit à prendre, easement or any other security arrangement or any other arrangement having the same effect or any agreement to create any of them.

Event of Default means, in relation to a Non-Investor Shareholder:

- (a) that Shareholder or their Relevant Individual becomes the subject of an Insolvency Event;
- (b) that Shareholder or their Relevant Individual breaches a material provision of this deed (expressly including any breach of the restraint provision in clause 16) which cannot be remedied or which remains unremedied for the period prescribed by the

Board (which may not be less than 10 Business Days) following such notification;
or

- (c) there is either:
 - (i) a change in Control in relation to that Shareholder and a person who has Control as a result of that change was not a Permitted Transferee of that Shareholder immediately prior to the change in Control; or
 - (ii) a Shareholder ceases to be a Permitted Transferee and does not comply with the provisions of clause 10.3.

Exit Event or **Exit** means:

- (a) an IPO; or
- (b) a Share Sale; or
- (c) a Trade Sale.

Fair Value means the amount determined by a Valuer in accordance with clause 15.3.

Family Company means a body corporate which:

- (a) the individual (either alone or with their spouse or, if applicable, Relevant Individual) Controls (directly or indirectly) and where all of the shares in the body corporate are owned, legally and beneficially, by the individual, their Relevant Individual and/or Relatives of the individual and/or Relevant Individual and/or trustees of a Family Trust of the individual; or
- (b) is otherwise associated with the individual and approved by the Company (with Board approval).

Family Trust means a trust which:

- (a) the individual and/or their Relevant Individual Controls (either alone or with their spouse) (directly or indirectly) and where all the beneficiaries or potential beneficiaries are the individual, their Relevant Individual and/or their Relatives and/or charities; or
- (b) is otherwise associated with the individual and approved by the Company (with Board approval).

Financial Year means the 12-month period starting on 1 July and ending on 30 June each year (or other dates as the Board approves).

Government Agency means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity. It includes ASIC and ASX (and any other stock exchange).

Group means the Company and each of its Subsidiaries and other controlled entities from time to time.

Group Company means a member of the Group from time to time.

GST has the same meaning as in the GST Law.

GST Group has the same meaning as in the GST Law.

GST Law has the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and the *A New Tax System (Goods and Services Tax) Regulations 1999* (Cth).

Implementation Date has the meaning given to that term in the SID.

Initiating Party has the meaning given to that term in clause 11.2.

Initial Acceptance Period has the meaning given in clause 9.2(a)(vi).

Insolvency Event means:

- (a) a “controller” (as defined in section 9 of the Corporations Act), manager, trustee, administrator or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
 - (i) appointing a person referred to in paragraphs (a) or (b);
 - (ii) winding up a corporation; or
 - (iii) proposing or implementing a scheme of arrangement;
- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or their estate;
- (e) a moratorium of any debts of a person, a personal insolvency agreement or any other assignment, composition or arrangement (formal or informal) with a person’s creditors or any similar proceeding or arrangement by which the asset of a person are subjected conditionally or unconditionally to the control of that person’s creditors or a trustee, is ordered, declared or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days;
- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable law to be, insolvent or unable to pay its debts; or
- (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

Investor Board Approval means a Simple Majority Resolution of the Board, including the approval of at least one Nominee Director appointed by each Investor Shareholder.

Investor Shareholder means each of:

- (a) KFA and any of its Permitted Transferees that hold Shares from time to time; and
- (b) BCL and any of its Permitted Transferees that hold Shares from time to time.

Invitation to Tag means in respect of the Shareholders, an invitation in the form contemplated by clauses 13.1 and 13.2.

Involved includes direct or indirect involvement as a principal, agent, partner, employee, shareholder, unitholder, director, trustee, beneficiary, manager, contractor, subcontractor, consultant, advisor or financier.

IPO means an initial public offering of shares in the Company, shares in any Subsidiary or shares in a company of which the Company is or will be a wholly owned subsidiary in conjunction with an application for the quotation of those shares on the Securities Exchange.

Issue Notice has the meaning given in clause 9.2(a).

KFA means Knight Frank Australia Holdings Pty Ltd.

Management Equity Plan means any management equity plan adopted by the Board from time to time under which the Company may issue Management Shares or other Securities to Managers of the Company.

Management Shareholder means a holder of Management Shares or other Securities issued under the Management Equity Plan (but only with respect only to their holding of such Management Shares or Securities) that is:

- (a) a Manager;
- (b) an Affiliate of a Manager; or
- (c) a person that the Board agrees in writing to treat as a "Management Shareholder",

and who is or becomes a party to this Deed as a "Management Shareholder" by executing an Accession Deed.

Management Share means a security issued to a Management Shareholder under the terms of a Management Equity Plan adopted by the Company.

Manager means a person that is:

- (a) invited by the Board to participate in a Management Equity Plan; and
- (b) an employee, executive director or non-executive director of any Group Company at the time the Manager (or any Affiliate of the Manager) becomes a Management Shareholder,

and who is or becomes a party to this Deed as a "Relevant Individual" of a Management Shareholder by executing an Accession Deed Poll.

Maximum Tag Threshold has the meaning given in clause 13.2(a)(ii).

New Shareholder has the meaning given in clause 24.1.

Nominee means an independent third party trustee company appointed by the Company under clause 17 to hold Shares on bare trust pursuant to the terms of the Nominee Deed and clause 17.

Nominee Deed means the nominee deed to be entered between the Company and the Nominee in the form reasonably required by the Nominee in accordance with its usual business practices and accepted by the Company.

Nominee Director has the meaning given to that term in clause 3.2(a).

Non-contributing Shareholder has the meaning given in clause 9.2(c).

Non-Investor Shareholder means a Shareholder in the Company that is not an Investor Shareholder or a Management Shareholder.

Ordinary Share means a fully paid ordinary share in the Company.

Permitted Transferee of a Shareholder means:

- (a) an Affiliate of the Shareholder; and
- (b) in relation to a Shareholder who is a trustee, custodian, responsible entity or general partner of a trust or partnership, also includes any person who is a replacement trustee, custodian, responsible entity or general partner of the same trust or partnership,

and, for the avoidance of doubt, where an 'Affiliate' of the Shareholder is a Family Trust, the trustee of that trust and the beneficiaries of the Family Trust will also be deemed a Permitted Transferee provided the applicable Securities are 100% beneficially held by the Family Trust.

Recipient has the meaning given in clause 19(b).

Related Body Corporate has the meaning given in the Corporations Act, interpreted so that 'subsidiary' has the meaning given to that term in this deed.

Related Party has the meaning given in the Corporations Act.

Related Party Transaction means an agreement or arrangement between the Company or another Group Company and:

- (a) a Director or their Affiliate; or
- (b) a Shareholder or its Affiliate,

but excluding:

- (c) a deed of indemnity, insurance and access (or similar document) on customary terms and conditions between a Director and the Company or another Group Company; and
- (d) any agreement or arrangement in relation to the Transfer of Securities in accordance with the terms of this deed.

Relatives means a spouse, former spouse, mother, father, brother, sister or child.

Relevant Individual means:

- (a) in relation to a Non-Investor Shareholder, the person nominated by the Company as their Relevant Individual (if any) as at the date that Non-Investor Shareholder begins to hold Securities;

- (b) in relation to a Management Shareholder who is issued Securities pursuant to a Management Equity Plan, the person nominated by the Company at the date of issue of Management Shares as their Relevant Individual; and
- (c) in relation to any Shareholder who acquires Shares as a Permitted Transferee of a Shareholder that has a Relevant Individual, the person who is the Relevant Individual of the transferor.

Relevant Proportion means when used in relation to:

- (a) all Shareholders, the proportions which their respective Shareholdings bear to all of the issued Securities; and
- (b) less than all the Shareholders, the proportions which their respective Shareholdings bear to their aggregate holdings of issued Securities.

Representative means, in relation to an entity, an employee, officer, director or adviser of that entity.

Representative Member has the same meaning as in the GST Law.

Restrained Party means:

- (a) a Shareholder who holds more than 5% of the Securities in the Company from time to time; and
- (b) a Shareholder who is a franchisee of the Group (or an Affiliate of a franchisee of the Group).

Restraint Area means:

- (a) Australia;
- (b) if the area in (a) above is held to be unenforceable, New South Wales, Victoria and Queensland;
- (c) if the area in (b) above is held to be unenforceable, New South Wales and Victoria;
- (d) if the area in (c) above is held to be unenforceable, New South Wales; or
- (e) such lesser geographic area as determined by the Board from time to time (which may be a determination in respect of specific Shareholders only).

Restraint Period means the period commencing on the Implementation Date (or the date of execution and delivery of the Accession Deed Poll, in the case of a Restrained Party that is not a party as at the date of this deed) and ending on the date that is 12 months after the date on which the Restrained Party and its Permitted Transferees cease to hold any Securities, or such shorter period as determined by the Board with Investor Board Approval.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act under which a Group Company acquires 100% of the issued shares in the Target.

Securities Exchange means the Australian Securities Exchange or any other securities or stock exchange approved by the Board.

Security has the meaning in section 92(3) of the Corporations Act, and includes Ordinary Shares, Management Shares and / or any other securities issued by the Company from time to time.

Share Sale means a sale of all of the Securities in the Company to a Third Party.

Shareholder means a holder of Securities in the Company.

Shareholding means a Shareholder's holding of Securities.

SID means the scheme implementation deed between the Target, RPAA Holdings Pty Ltd (ACN 676 034 101), Knight Frank Australia Holdings Pty Ltd and Bayley Corporation Limited dated 24 March 2024.

Simple Majority Resolution means:

- (a) in the case of a resolution of members, approval of Shareholders that together hold more than 50% of the total votes of all Shareholders present (in person or by proxy) at the meeting of Shareholders and who are entitled to vote on the resolution concerned; and
- (b) in the case of a resolution of Directors, approval of Directors that together hold more than 50% of the total votes of all Directors who attend the relevant Board meeting and who are entitled to vote on the resolution concerned.

Small Holding means a shareholding in the Company of \$10,000 or less (based on the value of a Security implied on the Implementation Date) and, in relation to a Beneficial Holder holding through the Nominee, includes those Beneficial Holders who hold \$10,000 or less (based on the value of a Security implied on the Implementation Date).

Small Holding Disposal Notice has the meaning given to that term in clause 15.2.

Small Holding Securities means the securities that constitute a Small Holding.

Small Shareholder means a Shareholder which holds a Small Holding.

Special Board Approval means:

- (a) a Simple Majority Resolution of the Board;
- (b) the approval of at least one Nominee Director appointed by each Investor Shareholder; and
- (c) where there are one or more Nominee Directors appointed by Non-Investor Shareholders, the approval of at least one of those Nominee Directors.

Subsidiary means each subsidiary of the Company, as that term is defined in Part 1.2 Division 6 of the Corporations Act.

Supplier has the meaning given in clause 19(b).

Supply has the same meaning as in the GST Law.

Tag Option has the meaning given in clause 13.2(a)(iv).

Tag Price has the meaning given in clause 13.2(a)(ii).

Tag Proportion has the meaning given in clause 13.2(a)(ii).

Tag Terms has the meaning given in clause 13.2(a)(ii).

Tagged Shares has the meaning given in clause 13.2(a)(iv).

Tagged Shareholder has the meaning given in clause 13.1.

Tagging Shareholder has the meaning given in clause 13.1.

Target means McGrath Limited (ACN 608 153 779).

Taxes means taxes, levies, imposts, charges and duties imposed by any authority (including stamp and transaction duties) together with any related interest, penalties, fines and expenses in connection with them.

Third Party means a party other than the Shareholder or an Affiliate of the Shareholder.

Third Party Buyer means a buyer (or a proposed buyer) of Securities who is a Third Party in relation to the seller (or proposed seller) of those Securities.

Trade Sale means the sale of:

- (a) all or substantially all of the operating Group Companies; or
- (b) the whole or substantially all of the Business,

in each case to a Third Party.

Transaction Documents means:

- (a) this deed;
- (b) the Constitution; and
- (c) any other agreement or document that the Investor Shareholders agree is a Transaction Document.

Transfer means to give, sell, transfer, alienate, assign, lease, licence, grant an option over, create or declare a trust over, part with the benefit of, or otherwise dispose of or deal with any legal or equitable interest in something, including a Security.

Trust has the meaning given to that term in clause 22.

Trustee has the meaning given to that term in clause 22.

2 Interpretation

In this deed the following rules of interpretation apply unless the contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of this deed;
- (b) the singular includes the plural and vice versa;
- (c) words that are gender neutral or gender specific include each gender;

- (d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (e) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
- (f) a reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate;
 - (ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this deed;
 - (vi) this deed includes all schedules and attachments to it;
 - (vii) dollars, \$, A\$ or AUD is a reference to the lawful currency of Australia;
 - (viii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity and is a reference to that law as amended, consolidated or replaced; and
 - (ix) an agreement other than this deed includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing.
- (g) an agreement on the part of two or more persons binds them severally;
- (h) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day;
- (i) in determining the time of day, where relevant to this deed, the relevant time of day is:
 - (i) for the purposes of giving or receiving notices, the time of day where a party receiving a notice is located; or
 - (ii) for any other purpose under this deed, the time of day in the place where the party required to perform an obligation is located;
- (j) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this deed or any part of it; and
- (k) if there is any conflict between the body of this deed and its schedules or attachments the terms of the main body of this deed will prevail.

Schedule 2 Board Reserved Matters

PART A – Investor Board Approval Matters

- 1 **(Business Plan or Budget)** adopt a Business Plan or Budget or amend an approved Business Plan or Budget;
- 2 **(Unusual agreements)** enter into, vary or terminate any agreement, arrangement or understanding outside, or which is not reasonably incidental to, the Business Plan;
- 3 **(Shareholder approval matters)** take any action or approve any matter which at law requires approval by the Shareholders in general meeting;
- 4 **(Unbudgeted Cost)** incur any capital or operational commitments or expenditures in excess of \$250,000, other than those included in a current approved Budget;
- 5 **(Financing)** enter into any financing or refinancing, the creation of any charge, security interest or encumbrance over any assets or property of a Group Company or the making of any loan to any person or entity or the giving of any guarantee or indemnity, in each case in excess of \$250,000;
- 6 **(Executive Appointment)** appoint or remove the CEO, CFO or other executive level management, or materially change the terms of engagement, role or responsibilities of those positions;
- 7 **(Subsidiary)** any Group Company establishing or incorporating a new subsidiary;
- 8 **(Accounting Rules)** make any material change to the accounting policy of a Group Company;
- 9 **(Bank accounts)** make any change to the signatories for operating the bank facilities of the Group Companies;
- 10 **(Chair)** appoint or remove a chair of the Board;
- 11 **(Auditor)** change the auditor of the Company or any Group Company;
- 12 **(Power of attorney)** grant a power of attorney by any Group Company;
- 13 **(Delegate)** delegate any powers to a committee of the Board;
- 14 **(Litigation)** commence or settle any litigation, arbitration or other proceedings which involve a liability (excluding legal fees) in excess of \$250,000;
- 15 **(Independent Director)** appoint or remove any independent Director;
- 16 **(Distribution Policy)** make any change to the dividend or distribution policy implemented by the Board from time to time;
- 17 **(Financial Assistance)** give a loan or any other financial assistance to a Director of the Company or an associate of a Director, or vary the terms of an existing loan or other financial assistance previously given to a Director of the Company or an associate of a Director;
- 18 **(Remuneration)** increase or decrease any remuneration payable to a Director;
- 19 **(Change in business)** make any fundamental change to the nature and scope of the Business of any Group Company;

- 20 **(Offshore operations)** establish any business or grant any franchise outside of Australia;
- 21 **(M&A)** mergers, acquisitions and disposals of securities, land, property or other assets involving consideration in excess of \$250,000 (whether in one transaction or a series of transactions) or any transaction that requires the issue of scrip consideration;
- 22 **(Exit Event)** make a decision to proceed with investigating and preparing for an exit event and the ultimate decision to proceed with the exit event; and
- 23 **(Initial public offer)** make a decision to proceed with investigating and preparing for an IPO and the ultimate decision to proceed with the IPO.

Part B – Special Board Approval Matters

- 1 **(Related Party Transactions)** enter into, materially amend, terminate or initiate a related party transaction with any Shareholder, other than on terms which are no less favourable than arms' length terms or in the ordinary course of business;
- 2 **(Liquidation)** liquidation or winding up of the Company or any Group Company which holds at least 5% of the Group's total assets or contributes at least 5% of the Group's total revenue;
- 3 **(Capital Structure)** any:
 - (a) issue of a new class of shares, other than in accordance with this deed;
 - (b) buy-back, redemption, purchase or cancellation of any shares or reduction of share capital in the Company which is not on a pro rata basis or in accordance with any Management Equity Plan; or
 - (c) any variation of the rights of any class of shares in the Company; and
- 4 **(Change to Constitution)** any amendment to the Constitution or any other constituent documents of the Company.

Execution page

Executed as a deed

Signed, sealed and delivered by **RPAA Investments Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:



Signature of director

James Patterson

Name of director (print)



Campbell Flack (Apr 3, 2024 14:41 GMT+11)

Signature of director/secretary

Campbell Flack

Name of director/secretary (print)

Signed, sealed and delivered by **Knight Frank Australia Holdings Pty Ltd** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:



Signature of director

James Patterson

Name of director (print)



Campbell Flack (Apr 3, 2024 14:41 GMT+11)

Signature of director/secretary

Campbell Flack

Name of director/secretary (print)

Signed, sealed and delivered by **BCL Aus Holdings Limited** by its authorised signatory in the presence of:



Ken MacRae (Apr 4, 2024 10:19 GMT+13)

Signature of witness

Ken MacRae

Name of witness (print)



Signature of authorised signatory

Mike Bayley

Name of authorised signatory (print)

Attachment A Accession Deed Poll

Date:

Parties

- 1 [Insert name of acceding party] of [insert address] (Acceding Party)
- 2 [Insert name of acceding party] of [insert address] (Relevant Individual)]
- 3 [Insert name of discontinuing party] of [insert address] (Discontinuing Party)]

The parties agree in favour of and for the benefit of each and all of the following:

- (A) the parties to the shareholders' deed (**Shareholders' Deed**) dated 4 April 2024 made among RPAA Investments Limited (ACN 676 033 346) (**Company**) and the Investor Shareholders (as defined in the Shareholders' Deed); and
 - (B) all persons who are or subsequently become shareholders of the Company, (collectively, the **Continuing Parties**).
-

1 Defined terms and interpretation

1.1 Defined terms

Words and expressions used in this deed poll have the same meaning as those used in the Shareholders' Deed (as amended, varied, novated or supplemented from time to time), unless the context otherwise requires.

1.2 Interpretation

Clauses 1 and 2 of Schedule 2 of the Shareholders' Deed apply in the interpretation of this deed poll.

2 Accession

- (a) Subject to the terms of this deed poll, the Acceding Party accedes to the Shareholders' Deed as if it were an original party to the Shareholders' Deed as a[n] [Investor Shareholder / Non-Investor Shareholder / Management Shareholder] on and from the date that the Acceding Party is registered as a holder of Securities (**Accession Date**).
 - (b) [Subject to the terms of this deed poll, the Relevant Individual accedes to the Shareholders' Deed as if it were an original party to the Shareholders' Deed as a Relevant Individual of the Acceding Party on and from the Accession Date.]
 - (c) [Subject to clauses 3 and 4, the Discontinuing Party ceases to be a party to the Shareholders' Deed on and from the Accession Date.]
-

3 Parties to be bound

- (a) [Each of t/T]he Acceding Party [and the Relevant Individual] undertake[s] to be bound by all the terms of the Shareholders' Deed from the Accession Date as if the

definition of “[Investor Shareholder / Non-Investor Shareholder / Management Shareholder]” included the Acceding Party and the definition of “Relevant Individual” included the Relevant Individual.

- (b) [Without limiting clause 3(a), the Acceding Party is bound by all the terms of the Shareholders’ Deed from the Accession Date as if each reference to the Discontinuing Party in the Shareholders’ Deed were a reference to the Acceding Party and not to the Discontinuing Party.]

4 [Acceding party not subject to pre-accession liabilities]

[The Discontinuing Party indemnifies the Acceding Party for any liabilities of the Discontinuing Party arising from or in connection with the Shareholders’ Deed which accrued prior to the Accession Date or which relate to any act or omission prior to the Accession Date.]

5 [No further rights and release from obligations]

[With effect from the Accession Date, the Discontinuing Party:

- (a) agrees and acknowledges that it has no further rights against any of the Continuing Parties under the Shareholders’ Deed other than rights that arise before the Accession Date; and
- (b) releases each Continuing Party from all obligations and liabilities under the Shareholders’ Deed other than obligations and liabilities that arise before the Accession Date.]

6 Representations and warranties

- (a) The Acceding Party [and the Discontinuing Party each] represent[s] and warrant[s] the following to each other party and to each Continuing Party:
 - (i) **registration:** if a body corporate, it is duly registered and validly existing under the laws of the country of its registration;
 - (ii) **power and authority:** it has the power and authority to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by the Shareholders’ Deed;
 - (iii) **action:** it has taken all necessary action to authorise the entry into and performance of, this deed poll and to carry out the transactions contemplated by the Shareholders’ Deed;
 - (iv) **binding obligation:** this deed poll constitutes legal, valid and binding obligations on it; and
 - (v) **no contravention:** neither the execution and performance by it of this deed poll nor any transaction contemplated under the Shareholders’ Deed will violate in any respect any provision of:
 - (A) its constituent documents; or

- (B) any other applicable law, document, agreement or other arrangement binding upon it or its assets.
 - (b) The Relevant Individual represents and warrants the following to each other party and to each Continuing Party:
 - (i) **power and authority:** it has the power and authority to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by the Shareholders' Deed;
 - (ii) **action:** it has taken all necessary action to authorise the entry into and performance of, this deed poll and to carry out the transactions contemplated by the Shareholders' Deed;
 - (iii) **binding obligation:** this deed poll constitutes legal, valid and binding obligations on it; and
 - (iv) **no contravention:** neither the execution and performance by it of this deed poll nor any transaction contemplated under the Shareholders' Deed will violate in any respect any provision of any applicable law, document, agreement or other arrangement binding upon it or its assets.
-

7 General

7.1 Address of Acceding Party for notices

For the purposes of the Shareholders' Deed the address of the Acceding Party [and Relevant Individual] to which all notices must be delivered in accordance with clause 25 of the Shareholders' Deed is:

[insert Acceding party's name]

Address: **[insert address]**

Email: **[insert email address]**

Attention: **[insert name]**

7.2 Governing law

This deed poll is governed by the law in force in New South Wales and the parties submit to the non-exclusive jurisdiction of the courts of New South Wales and courts of appeal from them. Each party waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

7.3 Further steps

Each party agrees, at its own expense, to do anything reasonably requested by another party or any Continuing Party to give effect to the provisions of this deed poll and the transactions contemplated by it.

7.4 Waiver of rights

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (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 or as an estoppel precluding enforcement 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.

7.5 Counterparts

This deed poll may consist of a number of copies, each signed by one or more parties to the deed poll. If so, the signed copies are treated as making up the one document and the date on which the last counterpart is executed is the date of the deed poll.

7.6 Liability for expenses

Each party must pay its own expenses incurred in negotiating, executing, stamping and registering this deed poll.

7.7 Amendment

This deed poll can only be amended or replaced by another document executed by the parties and each Continuing Party.

7.8 [Relevant Individual

For the purposes of the Shareholders' Deed, the Acceding Party's Relevant Individual is [*insert name*]. If the Acceding Party ceases to be an Affiliate of the Relevant Individual, the Acceding Party must immediately transfer all of the Securities held by it to an Affiliate of the Relevant Individual.]

Attachment A to Accession Deed Poll

[*Annex copy*]

Annexure 5
Nominee Deed

Nominee Deed

Pacific Custodians Pty Limited (ABN 66 009 682 866)
RPAA Investments Limited (ACN 676 033 346)
Each person listed in Schedule 2

_____ 2024

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Date: 2024

Parties

- 1 **Pacific Custodians Pty Limited (ABN 66 009 682 866)** of Level 12, 680 George Street, Sydney NSW 2000 (**Nominee**)
 - 2 **RPAA Investments Limited (ACN 676 033 346)** of Level 29, 120 Collins Street, Melbourne VIC 3000 (**Company**)
 - 3 **Each person listed in Schedule 2** (each, an **Initial Beneficial Holder**)
-

Background

- A At the request of the Company, the Nominee agrees to act as trustee of each Separate Trust on the terms set out in this Deed.
- B In consideration for the Nominee acting as trustee of each Separate Trust, the Company has agreed to indemnify the Nominee on the terms set out in this Deed.

The parties agree

1 Defined terms and interpretation

1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:

- (a) which is defined in the Dictionary in Schedule 1 (**Dictionary**), has the meaning given to it in the Dictionary;
- (b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act; and
- (c) which is defined in the GST Law, but is not defined in the Dictionary or the Corporations Act, has the meaning given to it in the GST Law.

1.2 Interpretation

The interpretation clause in Schedule 1 (**Dictionary**) sets out rules of interpretation for this deed.

1.3 Definitions and interpretation in Shareholders' Deed

Unless expressly defined in this Deed, terms defined in the Shareholders' Deed have the same meaning where used in this Deed.

1.4 Deed binding

This Deed binds the Nominee and, in the case of each Separate Trust, the Beneficial Holder and any other person with an interest in the Separate Trust and any person claiming through the Beneficial Holder as if each of them had been a party to this Deed.

2 Declaration of Trusts

2.1 Appointment of Nominee

The Nominee agrees to act as trustee of each Separate Trust.

2.2 Declaration of Separate Trusts

- (a) The Nominee declares that, in respect of each Beneficial Holder, it holds the right, title and interest in that Beneficial Holder's Separate Trust Property on a separate bare trust for that Beneficial Holder absolutely (**Separate Trust**).
- (b) For the avoidance of doubt, each Beneficial Holder has a vested and indefeasible interest in, and is absolutely entitled as against the Nominee, to the capital, assets and Income of its respective Separate Trust.

2.3 Separate Trust Property in each Separate Trust to be treated separately

The Nominee shall at all times treat the Separate Trust Property included in each Separate Trust separately from the Separate Trust Property included in all other Separate Trusts.

2.4 Nominee's obligations

The Nominee must on the Instruction given by or on behalf of a Beneficial Holder and at the cost of the relevant Beneficial Holder:

- (a) transfer to the Beneficial Holder or otherwise deal with the Nominee's legal right, title and interest in any or all of the relevant Separate Trust Property and any Accretions as the Beneficial Holder (or its Authorised Person) may from time to time direct, provided that the Beneficial Holder must not give this Instruction without the prior written consent of the Board; and
- (b) take all steps, execute all documents and do all things necessary to vest the Nominee's legal right, title and interest in any or all of the Separate Trust Property and any Accretions in the Beneficial Holder as the Beneficial Holder (or its Authorised Person) may from time to time direct,

provided that the Nominee will not be held liable for any failure to comply with these obligations to the extent that such failure is due to any act, refusal to act or omission by that Beneficial Holder, its Authorised Person or any other person (including any failure to provide any information that is properly required by the Nominee or any competent authority) or due to the operation of law.

2.5 Permitted Transferees of Beneficial Holders

Unless the Board agrees otherwise in writing, a Beneficial Holder may transfer Shares to a Permitted Transferee subject to the Shareholders' Deed and on the basis that the Nominee is directed to hold legal title to the relevant Shares as bare trustee on behalf of the Permitted Transferee.

2.6 Beneficial Holder's reservation of rights

Nothing in this Deed entitles the Nominee to beneficial ownership of any Separate Trust Property, or operates to deprive a Beneficial Holder of the rights of beneficial ownership (including the right of possession) of the Separate Trust Property and any Accretions. The

Nominee declares that it has no beneficial interest whatsoever in the Separate Trust Property or any Accretions.

2.7 Limitations on the Nominee

The Nominee shall have no powers, duties, discretions or liabilities under a Separate Trust except those expressly set out in this Deed.

2.8 Nominee may appoint attorneys

The Nominee may appoint any one or more persons as its attorney (jointly or severally if more than one) with power to execute documents on behalf of the Nominee for the day to day administration of a Separate Trust.

3 Rights and Duties of the Parties

3.1 Role of the Nominee

- (a) The Company directs, on behalf of, and as attorney for each relevant Beneficial Holder, the Nominee to acquire the Shares which that Beneficial Holder is entitled to receive pursuant to the Scheme, and to enter into and execute an Accession Deed in the form attached to the Shareholders' Deed on behalf of that Beneficial Holder, and the Nominee agrees to follow that direction.
- (b) To the extent reasonably practicable, the Nominee must:
 - (i) attend any meeting of Shareholders which the Nominee is directed by an Instruction to attend and which the Nominee is entitled to attend (provided that in the absence of an Instruction from a Beneficial Holder, the Nominee will not attend the relevant meeting on behalf of that Beneficial Holder);
 - (ii) in respect of Shares held on behalf of a Beneficial Holder, vote at any meeting of Shareholders in accordance with any Instruction to vote at that meeting given to the Nominee by or on behalf of that Beneficial Holder and at which the Nominee is entitled to vote in respect of those Shares (and in the absence of an Instruction relating to a meeting, the Nominee will not vote at that meeting); and
 - (iii) if required by an Instruction given by or on behalf of a Beneficial Holder, execute all proxies, powers of attorney and other documents which it is necessary to execute to enable the relevant Beneficial Holder to vote in the place of the Nominee at meetings of Shareholders in respect of that Beneficial Holder's Separate Trust Property.

3.2 Instructions

- (a) The Nominee has no obligation to verify the purpose, merits or propriety of an Instruction or any document the subject of an Instruction, and is entitled to rely solely on the relevant Beneficial Holder or its Authorised Person in respect of all matters relating to an Instruction and any transaction the subject of an Instruction. The Nominee is entitled to request further details from the relevant Beneficial Holder or its Authorised Person in respect of any Instruction, and is entitled to a reasonable period to consider any matter related to or arising from an Instruction, but this does not impose any obligation on the Nominee to do so, and does not otherwise limit the effect of this paragraph.

- (b) If the Nominee considers that it is unable to wholly or partially act on an Instruction of a Beneficial Holder or its Authorised Person, it must promptly (and in any event, within two Business Days) notify the relevant Beneficial Holder or its Authorised Person (as applicable). Upon receipt of such notice, the relevant Beneficial Holder or its Authorised Person (as applicable) may either:
 - (i) withdraw the specific Instruction with which the Nominee is unable to comply in accordance with this clause; or
 - (ii) re-issue or clarify the Instruction, in which case the Instruction will not operate until it has been re-issued or clarified (and this clause will apply to that revised Instruction, as required).

4 Register of Separate Trusts

4.1 Register of Beneficial Holders

- (a) The Company shall, at its sole cost and expense, establish and maintain a Trusts Register of Separate Trusts.
- (b) The following particulars shall be entered into the Trusts Register in respect of each Separate Trust:
 - (i) the name, address and description of the Beneficial Holder (and the Beneficial Holder's nominee or custodian (if any));
 - (ii) the number and identifying designation of Shares that are held on trust for that Beneficial Holder;
 - (iii) the date at which the name of the Beneficial Holder was first noted in the Trusts Register in respect of the Separate Trust Property held on trust for that Beneficial Holder; and
 - (iv) any other details considered necessary by the Nominee.

4.2 Nominee to be provided with a copy of the Trusts Register

The Company must, or must procure that its registrar, provide a copy of the Trusts Register to the Nominee:

- (a) on, or as soon as practicable after the date of this Deed;
- (b) as and when any information in the Trusts Register is updated; and
- (c) as soon as reasonably practicable after, and in any event within 2 Business Days of, being requested to do so by the Nominee.

4.3 No certificate

No certificates will be issued to a Beneficial Holder in respect of the number of Shares held under a Separate Trust for that Beneficial Holder.

4.4 Cessation of notation as a Beneficial Holder

Upon termination of a Separate Trust in respect of a Beneficial Holder, the Beneficial Holder shall cease to be noted in the Trusts Register as the Beneficial Holder of the Separate Trust Property held under that Separate Trust.

4.5 Changes

Every Beneficial Holder must promptly notify the Nominee and the Company of any change of name or address and the Company must alter the Trusts Register accordingly.

5 Undertaking by Company

The Company undertakes to the Nominee that it will:

- (a) promptly provide the Nominee with all necessary information and assistance as the Nominee may reasonably require to enable the Nominee to comply with its obligations under this deed and the Shareholders' Deed;
- (b) without limitation to clause 5(a), provide the Nominee with written notice of any of the following events (as soon as practicable, but in any case no later than 3 Business Days, after becoming aware of any such events):
 - (i) any event that may result in a change in the beneficial ownership of a Share;
 - (ii) any transfer of the beneficial interest in a Share to a Beneficial Holder in accordance with the Shareholders' Deed;
 - (iii) any purported transfer by a Beneficial Holder of its beneficial interest in Shares in breach of the Shareholders' Deed,

and, on request, provide the Nominee with any information reasonably required by the Nominee in relation to any such event or events.

6 Company Proceedings and Information

6.1 Shareholder information and dividends

The Company undertakes to the Nominee that at the same time as it:

- (a) gives, makes available or despatches any document or information to Shareholders, the Company will also give, make available or despatch that notice or information to each Beneficial Holder provided that they were entitled to receive such information under the terms of the Shareholders' Deed or under any applicable law; and
- (b) makes or pays any distribution or dividend of any kind whatsoever to its Shareholders, the Company will procure that the distribution or dividend that would otherwise be paid to the Nominee as a Shareholder will be paid to each Beneficial Holder in place of the Nominee pro-rata according to the number of Shares that are held on trust for that Beneficial Holder under the Separate Trust relating to that Beneficial Holder.

6.2 Shareholder meetings

The Company undertakes to the Nominee that at the same time and in the same manner as it gives, makes available or despatches a notice of meeting to Shareholders, the Company will also despatch to the Beneficial Holder a copy of the notice of meeting.

6.3 No meetings of Beneficial Holders

For the removal of doubt, there shall be no meetings of the Beneficial Holders of the Separate Trusts.

7 Authorised Persons

7.1 Authorised Persons

A Beneficial Holder may notify the Nominee of persons who are authorised to make any written communication or take action on behalf of that Beneficial Holder under this Deed (each an **Authorised Person** of that Beneficial Holder).

7.2 Variation of Authorised Person

A Beneficial Holder may vary its Authorised Persons by written notice to the Nominee.

7.3 Nominee's action

The Nominee must accept all communications or actions concerning this Deed made by an Authorised Person of a Beneficial Holder, provided that those communications or actions are in accordance with this Deed. The Nominee is not obliged to take any action in respect of a Beneficial Holder's Separate Trust Property if the communication or action is not made by the relevant Beneficial Holder or an Authorised Person, nor to enquire as to the identity of any person if it reasonably believes the person is an Authorised Person.

7.4 Beneficial Holder not liable

A Beneficial Holder is not liable in respect of any action or omission by the Nominee in reliance on any communication or action given or taken by any person acting or purporting to act on behalf of the Beneficial Holder who is not:

- (a) an Authorised Person, or
- (b) a person reasonably believed by the Nominee to be an Authorised Person,

but the Beneficial Holder may ratify the action or omission, in which case it is liable.

7.5 Nominee's reliance on an Instruction

If the Nominee receives an Instruction from an Authorised Person of a Beneficial Holder in accordance with this Deed in circumstances where it is reasonable for the Nominee to assume it was from an Authorised Person of the Beneficial Holder, the Nominee is not liable for any properly performed action or omission of the Nominee in reliance on that Instruction.

8 Change of Nominee

8.1 Retirement of the Nominee

The Nominee may, by giving 30 Business Days' written notice (or such lesser notice period agreed by all of the Beneficial Holders) to the Beneficial Holders, retire as the trustee of all (but not some) of the Separate Trusts. If the Nominee retires under this clause 8.1, such retirement shall have effect as at 11.59pm (AEST) on the last day of the relevant notice period.

8.2 New Nominee

- (a) If the Nominee retires under clause 8.1, a person nominated by the Company shall be appointed as the replacement trustee for each Separate Trust, or if no person is nominated by the Company by the date of the Nominee's retirement, the Nominee will, acting reasonably, nominate a person as a replacement trustee and the person so nominated shall be appointed as the replacement trustee of each Separate Trust, subject to clause 8.2(c).
- (b) The Company and the Nominee must do all things reasonably necessary to facilitate the change of trustee.
- (c) Despite anything else in this Deed, the retirement of the Nominee and the appointment of a replacement trustee is not complete until the new trustee executes a deed by which it covenants to be bound by this Deed as if it had originally been a party to it.

8.3 Release

When the Nominee retires in accordance with clause 8.1, the Nominee is released from all obligations in relation to the Separate Trusts arising after the time it retires, except that the Nominee is still obliged to comply with clause 8.2(b) including by delivering all books and records relating to the Separate Trusts in its possession at the relevant time to the replacement trustee.

8.4 Costs of replacing the Nominee

All reasonable costs incurred by the Nominee and all costs of any new nominee and the Company in connection with the retirement or removal and replacement of the Nominee shall be borne by the Company.

9 Limitation of Liability and Indemnities

9.1 Indemnity and liability of Nominee

- (a) The Nominee must, to the maximum extent permitted by law, and notwithstanding any other provision of this Deed, act in relation to Separate Trust Property in accordance with the Instructions of a Beneficial Holders under a power of attorney or otherwise, to the intent that each Beneficial Holder exercises day-to-day control over the operation of the trust under which its Beneficial Shares are held.
- (b) Each party who is a Beneficial Holder:
 - (i) indemnifies the Nominee for any Expense which the Nominee pays, suffers, incurs or is liable for arising out of or in connection with; and

- (ii) covenants with the Nominee not to claim, sue or take any action against the Nominee in relation to,

anything done by the Nominee at the direction of or on behalf of the Beneficial Holder, or by reason of the Beneficial Holder's Beneficial Shares being registered in the name of the Nominee.

- (c) The indemnity and covenant in clause 9.1(b) does not apply to:
 - (i) any Expense which arises as a result of the Nominee's (or any of its officers', employees', or agents') fraud, negligence, dishonesty, wilful misconduct, breach of any of its obligations under this Deed or the Shareholders' Deed or breach of trust; or
 - (ii) the Overhead Costs of the Nominee, fees of a Related Body Corporate of the Nominee as custodian of the Nominee and fees of a subcustodian, nominee or other delegate of such a custodian of the Nominee; or
 - (iii) the extent that the Nominee is entitled to recover and is actually indemnified for any such Expenses or Overhead Costs by the Company under clause 11(c) of this Deed or from the assets of the relevant trust under clause 9.3(a) of this Deed.
- (d) Each party acknowledges that the Nominee is obliged to act in accordance with an Instruction given by or on behalf of a Beneficial Holder in relation to that Beneficial Holder's Beneficial Shares. Any breach of this Deed that arises out of the Nominee complying with an Instruction given by a Beneficial Holder in relation to that Beneficial Holder's Beneficial Shares (**Directed Breach**) is to be construed for all purposes as a breach by the relevant Beneficial Holder and not by the Nominee, and, without limitation:
 - (i) the Nominee is released from any claim, action, demand, suit or proceeding for damages, debt, specific performance or any other remedy in respect of any Directed Breach; and
 - (ii) each party (other than the Nominee) covenants not to claim, sue or take any action against the Nominee in respect of any Directed Breach.
- (e) Each indemnity given by a Beneficial Holder in this clause 9.1:
 - (i) is an additional, separate and independent obligation of the Beneficial Holder and no one indemnity limits the generality of any other indemnity; and
 - (ii) survives termination of this Deed and the Shareholders' Deed and the Nominee's retirement as trustee of that Beneficial Holder's Separate Trust.

9.2 Limitation of Nominee's liability

- (a) This limitation of the Nominee's liability applies despite any other provisions of this Deed and extends to all Obligations of the Nominee in any way connected with any Separate Trust and any representation, warranty, conduct, omission, agreement or transaction related to this Deed.
- (b) Subject to clauses 9.2(h) and 9.2(i), the Nominee will be bound by this document only in its capacity as trustee of each Separate Trust and in no other capacity.

- (c) Subject to clauses 9.2(h) and 9.2(i) , the parties (other than the Nominee) acknowledge that the Nominee incurs the Obligations solely in its capacity as trustee of each Separate Trust and that the Nominee will cease to have any Obligations under this document in respect of a particular Separate Trust which arises after the time the Nominee ceases to be a legal holder of the relevant Beneficial Shares as trustee of that Separate Trust.
- (d) Subject to clauses 9.2(h) and 9.2(i) , the Nominee will not be liable to pay or satisfy any Obligations except to the extent that the Nominee is actually indemnified under the Nominee Indemnity Provisions or to the extent that and at the time the Nominee would, if the Nominee exercised its entitlement to be indemnified in respect of that liability under the Nominee Indemnity Provisions.
- (e) Subject to clauses 9.2(h) and 9.2(i) , the parties (other than the Nominee) may enforce their rights against the Nominee arising from the non-performance of the Obligations only to the extent of the Nominee's right to be indemnified under the Nominee Indemnity Provisions.
- (f) Subject to clauses 9.2(h) and 9.2(i) , if a party (other than the Nominee) does not recover all money owing to it arising from the non-performance of the Obligations, it may not seek to recover the shortfall by:
 - (i) bringing proceedings against the Nominee in its personal capacity or
 - (ii) applying to have the Nominee put into administration or wound up or applying to have a receiver or similar person appointed to the Nominee or proving in the administration or winding up of the Nominee.
- (g) Subject to clauses 9.2(h) and 9.2(i) , each party (other than the Nominee) waives its rights and releases the Nominee from any personal liability whatsoever, in respect of any loss or damage:
 - (i) which it may suffer as a result of any:
 - (A) breach by the Nominee of any of its Obligations; or
 - (B) non-performance by the Nominee of the Obligations; and
 - (ii) which cannot be paid or satisfied out of the proceeds of the indemnities given under the Nominee Indemnity Provisions.
- (h) The parties acknowledge that the whole of this document is subject to this clause 9.2 and that the Nominee shall in no circumstances be required to satisfy any liability of the Nominee arising under, or for non-performance or breach of, any Obligations out of any funds, property or assets other than the proceeds of the indemnities given under the Nominee Indemnity Provisions as and when they are available to the Nominee to be applied in exoneration for such liability provided that, subject to this clause 9.2(h), if the liability of the Nominee arising under, or for non-performance or breach of, any Obligations is not fully satisfied out of the proceeds of the indemnities given under the Nominee Indemnity Provisions due to the negligence, breach of any obligations under this Deed or breach of trust (excluding any breach that arises as a result of any fraud, dishonesty or wilful misconduct) by the Nominee or any of its officers, employees or agents in the performance of the Nominee's duties as trustee of the Separate Trusts, the Nominee will be liable to pay out of its own funds, property and assets the unsatisfied amount of that liability, but will not be liable to pay an amount that is greater than the amount that the Nominee would have been able to recover under

the Nominee Indemnity Provisions in relation to the relevant liability if its right to be indemnified under the Nominee Indemnity Provisions had not been prejudiced.

- (i) Clause 9.2(b) to 9.2(h) do not apply to any damages suffered by or amounts owing to another party which result from a breach or non-performance of an Obligation by the Nominee to the extent that those damages or amounts owing are not satisfied because the right of the Nominee to be indemnified under the Nominee Indemnity Provisions is prejudiced as a result of any fraud, dishonesty, or wilful misconduct by the Nominee or any of its officers, employees or agents in the performance of the Nominee's duties as trustee of the Separate Trusts.
- (j) The parties (other than the Nominee) agree that no act or omission of the Nominee (including any related failure to satisfy any Obligations) will constitute fraud, negligence, breach of trust, breach of any obligations under this Deed, dishonesty or wilful misconduct of the Nominee or of any of its officers, employees or agents for the purposes of this clause 9.2 to the extent to which the act or omission was caused or contributed to by any failure of a party to this Deed (other than the Nominee) or any other person (other than an officer, employee or agent of the Nominee) to fulfil its obligations relating to a Separate Trust or by any other act or omission of a party to this Deed (other than the Nominee) or any other person (other than an officer, employee, or agent of the Nominee).
- (k) No attorney, agent, or other person appointed in accordance with this Deed has authority to act on behalf of the Nominee in a way which exposes the Nominee to any personal liability (except in accordance with the provisions of clause 9.2) and no act or omission of such a person will be considered fraud, negligence, dishonesty, wilful misconduct, breach of any obligations under this Deed or breach of trust by the Nominee or an officer, agent or employee of the Nominee for the purposes of this clause 9.2.

9.3 Indemnity from Beneficial Holders

- (a) If the Company suffers, incurs or is liable to the Nominee for any Expenses arising out of or in connection with any Shares held by the Nominee on behalf of a Beneficial Holder, subject to clause 9.3(b), the relevant Beneficial Holder must indemnify the Company in respect of those Expenses.
- (b) The Company agrees with each Beneficial Holder that it will meet the Nominee's out-of-pocket expenses and any internal costs of the Nominee relating to actions and directions by the Beneficial Holder in relation to its Beneficial Shares in the ordinary course. This does not apply in relation to Expenses that would have been incurred in comparable circumstances by the Beneficial Holder had it been the registered holder of the relevant Shares.
- (c) For the avoidance of doubt, clause 9.3(b) does not apply in relation to:
 - (i) any Taxes or duties in relation to any Shares or dealings in Shares; or
 - (ii) any expenses or liabilities arising in connection with any action or direction by a Beneficial Holder which is in breach of any legal or contractual obligation (including a breach of this Deed),

nor is it intended to require the Company to meet Expenses incurred as a result of actions or directions by a Beneficial Holder that are unreasonable or otherwise outside the ordinary course (for example persistent requests for copies of the register of Beneficial Holders or other documents beyond what would reasonably be expected).

9.4 The Nominee not to incur liability

Despite any other provision of this Deed, the Nominee is not required to do anything under or in connection with this Deed (including enter into any contract or commitment) which involves it:

- (a) incurring any liability (actual or contingent) unless its liability is limited in a manner set out in clause 9.2; and
- (b) executing any instrument, entering into any agreement or incurring any obligation unless the Nominee has first received independent legal advice (if required by the Nominee) in relation to the instrument, agreement or obligation.

9.5 Legal actions by the Nominee

If a Beneficial Holder suffers any Loss as a result of negligence, fraud or wilful default on the part of any attorney or agent appointed under the Shareholders' Deed, the Nominee agrees to cooperate and provide all reasonable assistance with legal proceedings against such attorney or agent in accordance with Instruction from the Beneficial Holder and at the expense of the Beneficial Holder.

10 Confidentiality and Intellectual Property

- (a) To the extent that, before or after the effective date of this Deed, the Nominee comes into possession of any proprietary or confidential information regarding the Company, Beneficial Holders or any party related to or affiliated with Company (collectively, the **Group**) or the Target in connection with the performance of the Obligations or under the Shareholders' Deed (such information collectively referred to herein as **Confidential Information**), neither the Nominee nor any party related to or affiliated with the Nominee shall, during the term of this Deed and for a period of five (5) years thereafter, directly or indirectly disclose to any third party any Confidential Information, except that with respect to Confidential Information relating to Company, the Nominee may disclose such Confidential Information: (i) as required by law; (ii) to the extent it becomes generally available to the public without breach of this Deed; and (iii) if received lawfully from a third party (other than from a member of the Group) that has no legal obligation to keep such information confidential. In the event that the Nominee is required by legal process to disclose Confidential Information, the Nominee shall, to the extent legally permissible to do so at any time, immediately advise Company and, if requested, the Nominee shall cooperate with Company to limit and shield such disclosure.
- (b) The Nominee acknowledges that it has information and cybersecurity policies in place that are designed and functioning in a manner to protect client/customer information and that are consistent with the prevailing best practices used in the Nominee's industry. The Nominee acknowledges and agrees that any information provided to the Nominee by or on behalf of the Company or any Beneficial Holder will be subject to such policies.
- (c) The Nominee shall not use the name, logo, trademark or service mark of the Company or its affiliates without the Company's prior written consent. Additionally, the Nominee shall not issue any press release or make any other public statement regarding this Deed or the contemplated arrangement hereunder without the prior written consent of the Company.

11 Fees and Costs

- (a) The Company must pay to the Nominee the fees set out in Schedule 3 for acting as trustee of each Separate Trust.
- (b) The Company must reimburse the Nominee for all reasonable and documented out-of-pocket expenses and any internal costs of the Nominee relating to actions and directions by the Beneficial Holder in relation to its Beneficial Shares in the ordinary course. This does not apply in relation to Expenses that would have been incurred in comparable circumstances by the Beneficial Holder had it been the registered holder of the relevant Shares.
- (c) For the avoidance of doubt, clause 11(b) does not apply in relation to:
 - (i) any taxes or duties in relation to any Shares or dealings in Shares; or
 - (ii) any expenses or liabilities arising in connection with any Instruction, action or direction by a Beneficial Holder which is in breach of any legal or contractual obligation (including a breach of this Deed),

nor is it intended to require the Company to meet Expenses incurred as a result of actions or directions by a Beneficial Holder that are unreasonable or otherwise outside the ordinary course (for example persistent requests for copies of the register of Beneficial Holders or other documents beyond what would reasonably be expected).

12 Duration of Separate Trusts

12.1 Commencement date

Each Separate Trust commences on the Effective Date.

12.2 Termination and termination date

- (a) Subject to clause 12.2(b), each Separate Trust will terminate on the earlier of:
 - (i) the date on which the Beneficial Holder is registered on the register of members held by the Company as the legal owner of all of the Shares comprising the Separate Trust Property of that Separate Trust;
 - (ii) the date on which the Nominee ceases to be registered on the register of members held by the Company as the legal owner of all of the Shares comprising the Separate Trust Property and the holder of any Accretions;
 - (iii) if the Company is wound up, the date on which that proportion of the proceeds of realisation payable in respect of the Shares comprising the Separate Trust Property is distributed to the Beneficial Holder or, if no proceeds of realisation are to be distributed to the Beneficial Holder, the date on which the Company is wound up;
 - (iv) the date on which the Separate Trust is terminated by the operation of any applicable laws; and
 - (v) the date that is 80 years from the date of the Separate Trust.

- (b) If the Company applies to the Australian Securities and Investments Commission under section 163 of the *Corporations Act 2001* (Cth) to change its type to a proprietary company at any time when it has more than 50 non-employee Beneficial Holders:
 - (i) each Separate Trust and this deed will terminate once the change of company type takes effect; and
 - (ii) the Beneficial Holders will be registered as the legal holders of the Shares previously held in the capacity as Beneficial Holder.
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13 GST

- (a) Any consideration or amount payable under this Deed, including any non-monetary consideration (as reduced in accordance with subparagraph (e)(i) if required) (Consideration) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this Deed, an additional amount (Additional Amount) is payable by the party providing consideration for the Supply (Recipient) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (Supplier) in accordance with the GST Law.
- (c) The Additional Amount payable under paragraph (b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice within the same month where reasonably practicable and, in any event, no later than 14 days after the time of payment of the Additional Amount.
- (d) If for any reason (including, without limitation, the occurrence of an Adjustment Event) the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under paragraph (b):
 - (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
 - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
 - (iii) the Supplier must notify the Recipient of the refund, credit or further amount within the same month where reasonably practicable and, in any event, no later than 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within the same month where reasonably practicable and, in any event, no later than 14 days after becoming aware of the occurrence of the Adjustment Event.
- (e) Despite any other provision in this Deed, if an amount payable under or in connection with this Deed (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (Amount Incurred), the

amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred before the Additional Amount is calculated.

Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of the GST Group of which the party is a Member is entitled.

14 Notices

14.1 Notice required to be given under this Deed (Notice):

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand to the address last notified by the intended recipient to the sender;
- (c) will be taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country); and
 - (iii) in the case of email, at the earliest of:
 - (A) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;
 - (B) the time that the intended recipient confirms receipt of the email by reply email;
 - (C) three hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, within that three hour period, an automated message that the email has not been delivered,

but if the result is that a Notice would be taken to be given or made on a day that is not a Business Day in the place to which the Notice is sent or at later than 4.00pm (local time), it will be taken to have been duly given or made at the start of business on the next Business Day in that place.

14.2 Notice details

The notice details for the parties are set out below:

The Company

Attention: Campbell Flack
Address: Level 22, 123 Pitt Street, Sydney NSW 2000
Email: Campbell.Flack@au.knightfrank.com

The Nominee

Attention: Trustee Manager
Address: Level 12, 680 George Street, Sydney NSW 2000
Email: ess.trustees@linkmarketservices.com.au

15 Amendments to Deed

- (a) Subject to any applicable laws and clause 15(b), this Deed may only be amended with the written approval of the Nominee and Company provided that the amendment does not result in the Separate Trusts ceasing to be bare trusts.
 - (b) Clause 12.2(b) can only be amended by a Special Majority Resolution.
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16 Further Assurances

Each party agrees to do all such things and execute all such deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed and the transactions contemplated by it.

17 Waiver

No failure to exercise nor any delay in exercising any right, power or remedy by a party operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

18 Governing Law and Jurisdiction

The Deed is governed by the laws of the State of New South Wales. The Nominee, the Company, and each Beneficial Holder submit to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Deed.

19 Severability

If any provision of this Deed is held or found to be void, invalid or otherwise unenforceable then so much of it as is necessary to render it valid and enforceable is deemed to be severed but the remainder of this Deed remains in full force and effect.

20 Counterparts

This Deed may be executed in any number of counterparts. All counterparts will be taken to constitute one instrument.

1 Dictionary

In this deed:

Accretions means, in respect of any Separate Trust Property, all accretions, rights and benefits attaching to that Separate Trust Property, including all rights to receive dividends and any other distributions and to receive or subscribe for shares, stock, units, notes, options or other securities declared, paid or issued by the Company but excluding amounts or other property that are paid or delivered by the Company directly to the Beneficial Holder in respect of that under the Shareholders' Deed.

Acquisition Date means, in the case of each Separate Trust, the date and time at which the Nominee becomes the registered holder of Shares that are acquired and held on behalf of the relevant Beneficial Holder of the Separate Trust as shown in the Trusts Register.

Adjustment Note has the meaning given by the GST Law.

Authorised Person has the meaning given to that term in clause 7.1.

Beneficial Holder means an Initial Beneficial Holder, and any person or persons inscribed on the Trusts Register as the holder or holders of the beneficial interest in the Separate Trust Property held by the Nominee under a Separate Trust.

Beneficial Shares means, in relation to a Beneficial Holder, the Shares registered in the name of the Nominee in which that Beneficial Holder has a beneficial interest.

Business Day means a day which is not a Saturday, Sunday or a public holiday in New South Wales, Australia.

Company means RPAA Investments Limited (ACN 676 033 346).

Confidential Information has the meaning given to that term in clause 10.

Consideration has the meaning given by the GST Law.

Effective Date means, in relation to each Separate Trust, the date and time at which the Nominee first becomes the registered holder of Shares on trust for the relevant Beneficial Holder.

Expense means any liability, cost, expense, loss or damage.

Group has the meaning given to that term in clause 10.

GST has the meaning given by the GST Law.

GST Amount means in relation to a Taxable Supply the amount of GST payable in respect of that Taxable Supply.

GST Group has the meaning given by the GST Law.

GST Law has the meaning given by the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Initial Beneficial Holder means each person listed in Schedule 2.

Income includes an amount equal to net income as defined in section 95 of the *Income Tax Assessment Act 1936* (Cth).

Input Tax Credit has the meaning given by the GST Law and a reference to an Input Tax Credit entitlement of a party includes an Input Tax Credit for an acquisition made by that party but to which another member of the same GST Group is entitled under the GST Law.

Instruction means a written instruction to the Nominee in respect of or in connection with the Separate Trust Property which is signed by a Beneficial Holder, or an Authorised Person on behalf of a Beneficial Holder, and which also satisfies each of the following matters (provided that the Nominee is entitled to treat any such instruction as an Instruction even if it does not satisfy one or more of these matters, in its discretion):

- (a) the instruction states that it is an Instruction for the purposes of this Deed; and
- (b) where the instruction includes a requirement for the Nominee to execute a document, it includes appropriate details of the terms and purpose of the document.

Loss means any fee, tax or penalty of any kind, cost, expense, liability, claim, loss or damage.

Nominee Indemnity Provision means clauses 9.2 and 9.3 of this Deed and clauses 17.8 and 17.10 of the Shareholders' Deed.

Obligations means all obligations and liabilities of whatever kind undertaken or incurred by, or devolving upon, the Nominee under or in respect of this Deed or the Shareholders' Deed.

Overhead Cost means overhead expenses, including rent, office maintenance and salaries.

Related Body Corporate has the meaning given in the Shareholders' Deed.

Scheme means the scheme of arrangement implemented pursuant to the Scheme Implementation Deed.

Scheme Implementation Deed means the deed dated 24 March 2024 for the acquisition of shares in the Target by the Company or one of its wholly owned subsidiaries pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act.

Separate Trust means each trust established in accordance with clause 2.2.

Separate Trust Property means, in the case of each Beneficial Holder, the number and class of Shares held by the Nominee for and on behalf of that Beneficial Holder, as shown in the Trusts Register, together with any and all Accretions relating to those Shares which have been paid to the Nominee and not distributed to the relevant Beneficial Holder.

Shareholders' Deed means the deed dated 4 April 2024 between the Shareholders of the Company in relation to the finance, control and management of the Company.

Shares means Ordinary Shares in the Company and held by the Nominee (as the registered legal owner) on trust for the relevant Beneficial Holder as contemplated by clause 17 of the Shareholders' Deed.

Special Majority Resolution means a resolution passed by at least 75% of Beneficial Holders where:

- (a) only Beneficial Holders can vote on the resolution; and
- (b) each Beneficial Holder is entitled to cast a vote for each Share held on trust for, or on behalf of, the Beneficial Holder under this deed; and
- (c) Part 2G.2 of the *Corporations Act 2001* (Cth) applies as if each Beneficial Holder was a member of the Company.

Target means McGrath Limited (ACN 608 153 779).

Taxable Supply has the meaning given by the GST Law excluding the reference to section 84-5 of the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Tax Invoice has the meaning given by the GST Law.

Trusts Register means the register of Separate Trusts established and maintained by the Company in accordance with clause 4.

2 Interpretation

In this deed the following rules of interpretation apply unless the contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of this deed;
- (b) the singular includes the plural and vice versa;
- (c) words that are gender neutral or gender specific include each gender;
- (d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (e) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
- (f) a reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate;
 - (ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;

- (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this deed;
 - (vi) this deed includes all schedules and attachments to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a rule of a recognised stock exchange and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement other than this deed includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and
 - (ix) a monetary amount is in Australian dollars;
- (g) an agreement on the part of two or more persons binds them severally;
 - (h) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day;
 - (i) in determining the time of day, where relevant to this deed, the relevant time of day is:
 - (i) for the purposes of giving or receiving notices, the time of day where a party receiving a notice is located; or
 - (ii) for any other purpose under this deed, the time of day in the place where the party required to perform an obligation is located; and
 - (j) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this deed or any part of it.

Schedule 2 Initial Beneficial Holders

	Holder
1	[insert]
2	[insert]
3	[insert]
4	[insert]
5	[insert]

Schedule 3 Nominees Fees

[Attached separately.]

Execution page

Executed and delivered as a deed.

Signed, sealed and delivered by **RPAA Investments Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

Signed, sealed and delivered by **Pacific Custodians Pty Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

Annexure 6
Rollco Constitution

Constitution

RPAA Investments Limited
(A public company limited by shares)

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1 Dictionary

- (a) A capitalised term or expression which is defined in the Dictionary in Schedule 1 has the meaning given to it in the Dictionary.
- (b) The interpretation clause in Schedule 1 sets out the rules of interpretation which apply to this constitution and clarifies the effect of the Corporations Act on this constitution.
- (c) In this constitution, unless the contrary intention appears:
 - (i) a word or expression defined in the Shareholders' Deed (but not defined in this constitution) has the same meaning when used in this constitution; and
 - (ii) a word or expression defined in the Shareholders' Deed and also defined in this constitution has the meaning given to it by the defined term in this constitution.

2 Shareholders' Deed applies

2.1 Relationship between constitution and Shareholders' Deed

Upon adoption of the Shareholders' Deed, this constitution has effect subject to the Shareholders' Deed. To the extent that this constitution and the Shareholders' Deed deal with the same or a similar topic differently, the Shareholders' Deed prevails and the members must do everything within their power to amend this constitution to remove any such difference.

2.2 Director acting in compliance with Shareholders' Deed

Where rule 2.1 applies and a director acts in accordance with the Shareholders' Deed:

- (a) the fact that the director has acted in accordance with the Shareholders' Deed:
 - (i) is taken to be an act that is in the best interest of the Company as a whole; and
 - (ii) is not taken to be a breach of any duty owned by that director to the Company or a breach of this constitution;
- (b) neither the Company nor the members may take any steps to pursue the director for a breach of duty if the only basis for the breach is conduct permitted by this rule; and
- (c) if, contrary, to paragraph (a), the conduct is a breach of duty or a breach of this constitution, to the extent permitted by law, each member must take all steps necessary to:
 - (i) consent to, excuse, ratify or authorise the breach; and
 - (ii) otherwise release the director from any liability arising from the breach of duty or this constitution.

3 Share capital

3.1 Shares

- (a) Subject to this constitution and the Shareholders' Deed, the directors have the right to issue shares or grant options over shares to any person and they may do so on the conditions they think fit.
- (b) Shares referred to in rule 3.1(a) may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise, as the directors think fit.
- (c) This rule must not be construed so as to adversely affect any special rights of holders of any shares or class of shares.

3.2 Certificates

- (a) Each member is entitled without payment to receive a certificate for shares issued as required under the Corporations Act.
- (b) The directors may order lost, damaged or defaced share certificates be cancelled and, if necessary, replaced by new share certificates.

3.3 Preference shares

Subject to section 254A(2) of the Corporations Act, the Company may issue preference shares from time to time.

3.4 Joint holders of shares

Where two or more persons are registered as the holders of a share, they hold it as joint tenants with rights of survivorship subject to the following provisions:

- (a) the Company is not bound to register more than three of those persons as joint holders of the share;
- (b) each of those persons and their respective legal personal representatives are liable severally as well as jointly for all payments, including calls, which are required to be made in respect of the share;
- (c) subject to rule 3.4(b), on the death of any one of them, the Company is entitled to recognise the survivor or survivors as the only person or persons who have any title to the share;
- (d) any one of those persons may give effective receipts for any dividend, interest or other distribution or payment in respect of the share;
- (e) any one of them may appoint a proxy under rule 6.9 in respect of the share;
- (f) where the Corporations Act requires the number of members to be counted, they are to be counted as one member; and
- (g) the Company is not bound to issue more than one certificate for the share and delivery of a certificate to any one of those persons is sufficient delivery to all of them.

3.5 Equitable interests in shares

- (a) The Company may treat the registered holder of a share as the absolute owner of that share.
- (b) The Company is not bound by or compelled in any way to recognise an equitable, contingent, future, partial or other right or interest in a share or unit of a share, even if the Company has notice of that right or interest.
- (c) With the consent of the directors, shares held by a trustee may be marked in the register in such a way as to identify them as being held subject to the relevant trust.
- (d) Nothing in rule 3.5(c) limits rule 3.5(a).

4 Calls, forfeiture, indemnities, lien and surrender

4.1 Calls

- (a) Subject to this constitution and the Shareholders' Deed and the terms on which any shares are issued, the directors may make calls on the members for any money unpaid on their shares which is not by the terms of issue of those shares made payable at fixed times.
- (b) Subject to the Shareholders' Deed:
 - (i) when the directors issue shares they may differentiate between the holders as to the amount of calls to be paid and the times of payment;
 - (ii) the directors may require a call to be paid by instalments;
 - (iii) on receipt of at least 14 days' notice, a member on whom a call is made in accordance with this constitution must pay to the Company the amount called on that member's shares at the time or times and place specified;
 - (iv) a call is to be taken as having been made when the resolution of the directors authorising the call was passed;
 - (v) the directors may revoke a call, postpone a call or extend the time for payment;
 - (vi) a call is not invalidated by the non-receipt of a notice of a call or the accidental omission to give notice of a call to any member;
 - (vii) if a sum called on a share is not paid in full by the day appointed for payment, the directors may determine that the person from whom the sum is due must pay:
 - (A) interest on the unpaid amount from the date appointed for payment of the sum to the date of actual payment, at a rate determined under rule 4.9; and
 - (B) any costs, expenses or damages incurred by the Company in relation to the non-payment or late payment of the sum;
 - (viii) any sum unpaid on a share that, by the terms of issue of the share, becomes payable on issue or at a fixed date:

- (A) is to be treated for the purposes of this constitution as if that sum was payable under a call duly made and notified; and
 - (B) must be paid on the date on which it is payable under the terms of issue of the share; and
- (ix) the directors may, to the extent permitted by law, waive or compromise all or any part of any payment due to the Company under the terms of issue of a share or under this rule 4.1.
- (c) A member on whom a call is made in accordance with this constitution must pay to the Company the amount called on that member's shares at the time or times and place specified.
 - (d) A call is to be taken as having been made when the resolution of the directors authorising the call was passed.
 - (e) The directors may revoke a call or postpone a call or extend the time for payment.
 - (f) A call is not invalidated by the non-receipt of a notice of a call or the accidental omission to give notice of a call to any member.
 - (g) If a sum called on a share is not paid in full by the day appointed for payment, the person from whom the sum is due must pay:
 - (i) interest on the unpaid amount from the date appointed for payment of the sum to the date of actual payment, at a rate determined under rule 4.9; and
 - (ii) any costs, expenses or damages incurred by the Company in relation to the non-payment or late payment of the sum.
 - (h) The directors may, to the extent permitted by law, waive or compromise all or any part of any payment due to the Company under the terms of issue of a share or under this rule 4.1.

4.2 Proceedings for recovery of calls

- (a) In an action or other proceedings for the recovery of a call, or interest or costs or expenses incurred in relation to the non-payment or late payment of a call, proof that:
 - (i) the name of the defendant is entered in the register as the holder or one of the holders of the share in respect of which the call is claimed;
 - (ii) the resolution making the call is recorded in the minute book; and
 - (iii) notice of the call was given to the defendant in accordance with this constitution,

is conclusive evidence of the debt and it is not necessary to prove the appointment of the directors who made the call or any other matter.
- (b) In rule 4.2(a), "defendant" includes a person against whom a set-off or counter-claim is alleged by the Company and "proceedings for the recovery of a call" is to be construed accordingly.

4.3 Payments in advance of calls

- (a) The directors may accept from a member the whole or a part of the amount unpaid on a share even though no part of that amount has been called.
- (b) The directors may authorise payment by the Company of interest on the whole or any part of an amount accepted under rule 4.3(a), until the amount becomes payable, at a rate agreed between the directors and the member paying the amount.
- (c) The directors may repay to a member all or any part of the amount accepted under rule 4.3(a) on or before the date on which the call for such amount is due to be paid.

4.4 Forfeiture of partly paid shares

- (a) If a member fails to pay the whole of a call or instalment of a call by the time appointed for payment of the call or instalment, the directors may serve a notice on that member requiring payment of the unpaid amount, together with any interest that has accrued and all costs, expenses or damages that may have been incurred by the Company by reason of the non-payment or late payment of the call or instalment.
- (b) A notice under rule 4.4(a) must name a place and a day for payment. The day must be at least 10 Business Days after the date of service of the notice.
- (c) The notice must state that the shares on which the call was made are liable to be forfeited if the whole amount payable is not paid by the time and at the place specified in the notice.
- (d) If a member does not comply with a notice under rule 4.4(a), the shares to which the notice relates may be forfeited by a resolution of the directors. Forfeiture includes all dividends, interest and other amounts payable by the Company on the forfeited shares and not actually paid before the forfeiture.
- (e) Where a share has been forfeited:
 - (i) notice of the resolution must be given to the member in whose name the share was registered immediately before the forfeiture; and
 - (ii) an entry of the forfeiture, with the date, must be made in the register of members.
- (f) Failure to give the notice or to make the entry required under rule 4.4(e) does not invalidate the forfeiture.
- (g) The directors may:
 - (i) sell or otherwise dispose of a share which has been forfeited on the terms and in the manner the directors think appropriate;
 - (ii) at any time before a sale or disposal, cancel the forfeiture of a share on the terms the directors think appropriate; and
 - (iii) reissue a share which has been forfeited, with or without any money paid on the share by any former holder being credited as paid and on the other terms and in the manner the directors think appropriate.

- (h) A person whose shares have been forfeited ceases to be a member in respect of the forfeited shares, but remains liable to pay, and must immediately pay, to the Company:
 - (i) all calls, instalments, interest, costs, expenses and damages owing in respect of the shares at the time of the forfeiture; and
 - (ii) interest on so much of the amount payable under rule 4.4(h)(i) as is unpaid from time to time, from the date of the forfeiture to the date of actual payment, at a rate determined under rule 4.9.
- (i) Subject to this constitution, the forfeiture of a share extinguishes all interest in, and all claims and demands against the Company in respect of, the forfeited share and all other rights incident to the share.
- (j) The directors may:
 - (i) exempt a share from all or any part of this rule 4.4; and
 - (ii) waive or compromise all or any part of any payment due to the Company under this rule 4.4.

4.5 Indemnity for payments by the Company

- (a) A member or, if the member is dead, the member's legal personal representative, must indemnify the Company against any liability which the Company has under any law to make a payment for or on account of that member including in respect of:
 - (i) shares held by that member, solely or jointly;
 - (ii) a transfer or transmission of shares by a member; or
 - (iii) dividends, bonuses or other money due or payable or which may become due or payable to the member.
- (b) Rule 4.5(a) includes, without limitation, a payment arising from:
 - (i) the death of that member;
 - (ii) the non-payment of any income tax, capital gains tax, wealth tax or other tax by that member or the legal personal representative of that member; or
 - (iii) the non-payment of any estate, probate, succession, death, stamp or other duty by that member or the legal personal representative of that member.
- (c) The member or, if the member is dead, the member's legal personal representative, must pay to the Company immediately on demand:
 - (i) the amount required to reimburse the Company for a payment described in rule 4.5(a); and
 - (ii) interest on any part of that amount which is unpaid from the date the Company makes the payment until the date the Company is reimbursed in full for that payment, at a rate determined under rule 4.9.

- (d) This rule 4.5 is in addition to any right or remedy the Company may have under the law which requires it to make the payment.
- (e) The directors may:
 - (i) exempt a share from all or any part of this rule 4.5; and
 - (ii) waive or compromise all or any part of any payment due to the Company under this rule 4.5.

4.6 Lien on shares

- (a) To the extent permitted by law, the Company has a first and paramount lien on:
 - (i) each partly paid share for all due and unpaid calls and instalments in respect of that share;
 - (ii) each share registered in the name of a holder for all money presently payable by the holder or the holder's estate to the Company; and
 - (iii) each share for any amounts the Company may be required by law to pay, and has paid, in respect of that share.
- (b) The Company's lien on a share extends to all dividends payable in respect of the share and to the proceeds of sale of the share.
- (c) The directors may sell a share on which the Company has a lien in any manner they think fit where:
 - (i) an amount in respect of which a lien exists under this rule 4.6 is presently payable;
 - (ii) the Company has, not less than 14 Business Days before the date of the sale, given to the registered holder of the share a notice in writing setting out the amount in respect of which a lien exists under this rule 4.6 and is presently payable, and demanding payment of that amount; and
 - (iii) as at the date of the sale, the amount remains unpaid.
- (d) The directors may do all things necessary or desirable to protect any lien, charge or other right to which the Company may be entitled under any law or under this constitution.
- (e) Registration by the Company of a transfer of shares on which the Company has a lien releases the Company's lien in so far as it relates to sums owing by the transferor or any predecessor in title, without giving notice of its claim to the transferee.
- (f) The directors may:
 - (i) exempt a share from all or any part of this rule 4.6; and
 - (ii) waive or compromise all or any part of any payment due to the Company under this rule 4.6.

4.7 Surrender of shares

- (a) The directors may accept a surrender of a share by way of compromise of any claim as to whether or not that share has been validly issued or in any other case where the surrender is within the powers of the Company.
- (b) Any share surrendered under rule 4.7(a) may be sold, reissued or otherwise disposed of in the same manner as a forfeited share.

4.8 General provisions applicable to a sale, reissue or other disposal of shares

- (a) A reference in this rule 4.8 to a disposal of shares under this constitution is a reference to:
 - (i) any sale, reissue or other disposal of a forfeited share under rule 4.4(g) or a surrendered share under rule 4.7; and
 - (ii) any sale of a share on which the Company has a lien under rule 4.6(c).
- (b) Where any shares are disposed of under this constitution, the directors may:
 - (i) receive the purchase money or consideration given for the shares on the disposal;
 - (ii) effect a transfer of the shares and, if necessary, execute, or appoint a person to execute, on behalf of the former holder an instrument of transfer of the shares or any other instrument for the purpose of giving effect to the disposal; and
 - (iii) register as the holder of the shares the person to whom the shares have been disposed of.
- (c) The title of a person to whom shares are disposed of under this constitution is not affected by an irregularity or invalidity in connection with that disposal.
- (d) The remedy of any person aggrieved by a disposal of shares under this constitution is limited to damages only and is against the Company exclusively.
- (e) The proceeds of a disposal of shares under this constitution must be applied in the payment of:
 - (i) first, the expenses of the disposal;
 - (ii) secondly, all amounts presently payable by the former holder whose shares have been disposed of; and
 - (iii) finally, but subject to any lien under rule 4.6 for money not presently payable, any remaining proceeds must be paid to the former holder as soon as practicable. The former holder must first deliver to the Company the certificate for the shares that have been disposed of or any other proof of title as the directors may accept.
- (f) Until the proceeds of a disposal of a share sold by the Company are claimed or otherwise disposed of according to law, the directors may invest the proceeds in any other way for the benefit of the Company.

- (g) The Company is not required to pay interest on money payable to a former holder under this rule 4.8.
- (h) A statement in writing signed by a director or secretary of the Company to the effect that a share in the Company has been:
 - (i) duly forfeited under rule 4.4(d);
 - (ii) duly sold, reissued or otherwise disposed of under rules 4.4(g) or 4.7; or
 - (iii) duly sold under rule 4.6(c),

on a date stated in the statement is conclusive evidence of the facts stated in the statement as against all persons claiming to be entitled to the share and of the right of the Company to forfeit, sell, reissue or otherwise dispose of the share.

4.9 Interest payable by member

- (a) For the purposes of rules 4.1(g)(i), 4.1(g)(ii) and 4.5(c)(ii), the rate of interest payable to the Company is:
 - (i) if the directors have fixed a rate, that rate; or
 - (ii) in any other case, 10% per annum.
- (b) Interest payable under rules 4.1(g)(i), 4.1(g)(ii) and 4.5(c)(ii) accrues daily and may be capitalised monthly or at other intervals as the directors think fit.

5 Transfer and transmission of shares

5.1 Transfer of shares

- (a) Subject to this constitution, the Shareholders' Deed and the rights or restrictions attached to any shares or class of shares, a member may transfer all or any of the member's shares by an instrument in writing in any usual form or in any other form that the directors approve.
- (b) A transferor of shares remains the holder of the shares transferred until the transfer is registered and the name of the transferee is entered in the register of members in respect of the shares.
- (c) The Company must not charge a fee for the registration of a transfer of shares.
- (d) An instrument of transfer referred to in rule 5.1(a) must be signed by or on behalf of both the transferor and the transferee unless the transfer:
 - (i) relates only to fully paid shares and signature by the transferee has been dispensed with by the directors; or
 - (ii) is a sufficient transfer of marketable securities for the purposes of the Corporations Act.
- (e) An instrument of transfer referred to in rule 5.1(a) must be duly stamped if required by law to be stamped.

- (f) An instrument of transfer referred to in rule 5.1(a) must be lodged for registration at the registered office of the Company, or at such other place as the directors determine, accompanied by any evidence which the directors require to prove the title of the transferor or the transferor's right to the shares including the share certificate, if any, and to prove the right of the transferee to be registered as the owner of the shares.
- (g) Subject to the powers vested in the directors under rule 5.2, where the Company receives an instrument of transfer complying with rules 5.1(d), 5.1(e) and 5.1(f), the Company must register the transferee named in the instrument as the holder of the shares to which it relates.
- (h) The Company may retain any registered instrument of transfer received by the Company under rule 5.1(f) for any period as the directors think fit.
- (i) Except in the case of fraud, the Company must return any instrument of transfer received under rule 5.1(f) which the directors decline to register to the person who deposited it with the Company.
- (j) The directors may, to the extent permitted by law, waive all or any of the requirements of this rule 5.1.

5.2 Power to decline registration of transfers

The directors must decline to register any transfer of shares unless that transfer is permitted by the Shareholders' Deed.

5.3 Transmission of shares

- (a) In the case of the death of a member, the only persons the Company will recognise as having any title to the member's shares or any benefits accruing in respect of those shares are:
 - (i) the legal personal representative of the deceased, where the deceased was a sole holder; and
 - (ii) the survivor or survivors, where the deceased was a joint holder.
- (b) Nothing in rule 5.3(a) releases the estate of a deceased member from any liability in respect of a share, whether that share was held by the deceased solely or jointly with other persons.
- (c) A person who becomes entitled to a share as a result of a Transmission Event may elect:
 - (i) to be registered as the holder of the share by signing and serving on the Company a notice in writing stating that election; or
 - (ii) to have some other person nominated by that person registered as the transferee of the share by executing or otherwise effecting a transfer of the share to that other person,

after producing any evidence the directors require to prove that person's entitlement to the share, including the certificate for the share.
- (d) The provisions of this constitution relating to the right to transfer, and the registration of transfers of, shares apply, so far as they can and with the changes

as are necessary, to any transfer under rule 5.2 and 5.3 as if the relevant Transmission Event had not occurred and the transfer were executed or effected by the registered holder of the share.

- (e) If two or more persons become jointly entitled to a share under a Transmission Event, on registration as the holders of the share, those persons are taken to hold the share as joint tenants subject to this rule 5.3.
- (f) Despite rule 5.3(a), the directors may register a transfer of shares signed by a member before a Transmission Event even though the Company has notice of the Transmission Event.

6 General meetings

6.1 Convening of general meetings

- (a) A general meeting may be convened by:
 - (i) the directors by resolution of the board;
 - (ii) the directors upon request by members in accordance with section 249D of the Corporations Act; or
 - (iii) members or the court in accordance with sections 249E, 249F and 249G of the Corporations Act.
- (b) A general meeting requested by members in accordance with section 249D of the Corporations Act must be convened by the directors in accordance with section 249D of the Corporations Act.
- (c) Subject to rule 6.1(e), the directors may postpone, cancel or change the venue for a general meeting by giving notice not later than five Business Days before the time at which the general meeting was to be held to each person who is at the date of the notice:
 - (i) a member;
 - (ii) a director; or
 - (iii) an auditor of the Company.
- (d) A notice postponing or changing the venue for a general meeting must specify the date, time and place of the general meeting.
- (e) A general meeting convened under section 249D of the Corporations Act may not be postponed beyond the date by which section 249D requires it to be held and may not be cancelled without the consent of the member or members who requested it.

6.2 Notice of general meetings

- (a) Subject to this constitution and to the rights or restrictions attached to any shares or class of shares, notice of a general meeting must be given within the time limits prescribed by the Corporations Act and in the manner authorised by rule 14.1 to each person who is at the date of the notice:

- (i) a member;
 - (ii) a director; or
 - (iii) an auditor of the Company.
- (b) A notice of a general meeting must specify the date, time and place of the meeting and, excepted as provided in rule 6.2(c), state the general nature of the business to be transacted at the meeting and any other matters required under the Corporations Act.
- (c) It is not necessary for a notice of an annual general meeting to state that the business to be transacted at the meeting includes the consideration of the annual financial report and the reports of the directors and auditor, the election of directors or the appointment or fixing of the remuneration of the auditor of the Company.
- (d) A person may waive notice of any general meeting by notice in writing to the Company.
- (e) The non-receipt of notice of a general meeting or proxy form by, or a failure to give notice of a general meeting or a proxy form to, any person entitled to receive notice of a general meeting under this rule 6.2 does not invalidate any act, matter or thing done or resolution passed at the general meeting if:
- (i) the non-receipt or failure occurred by accident or error; or
 - (ii) before or after the meeting, the person:
 - (A) has waived or waives notice of that meeting under rule 6.2(c); or
 - (B) has notified or notifies the Company of the person's agreement to that act, matter, thing or resolution by notice in writing to the Company.
- (f) A person's attendance at a general meeting:
- (i) waives any objection that person may have to a failure to give notice, or the giving of a defective notice, of the meeting unless the person at the beginning of the meeting objects to the holding of the meeting; and
 - (ii) waives any objection that person may have to the consideration of a particular matter at the meeting which is not within the business referred to in the notice of the meeting, unless the person objects to considering the matter when it is presented.

6.3 Quorum at general meetings

- (a) No business may be transacted at any general meeting, except the election of a chair and the adjournment of the meeting, unless a quorum of members is present when the meeting proceeds to business and remains present throughout the meeting.
- (b) A quorum consists of:
- (i) if the number of members entitled to vote is two or more, members together holding 50% of the total number of voting shares; or
 - (ii) if only one member is entitled to vote, that member,

present at the meeting.

- (c) If a quorum is not present within 30 minutes after the time appointed for a general meeting:
 - (i) where the meeting was convened by, or at the request of, a member or members, the meeting must be dissolved; or
 - (ii) in any other case:
 - (A) the meeting stands adjourned to the day, and at the time and place, as the directors determine, or if no determination is made by the directors, to the same day in the next week at the same time and place; and
 - (B) if, at the adjourned meeting, a quorum is not present within 30 minutes after the time appointed for the meeting, the meeting must be dissolved.

6.4 Chair of general meetings

- (a) The chair of directors must preside as chair at each general meeting if present within 15 minutes after the time appointed for the meeting and willing to act.
- (b) If at a general meeting:
 - (i) there is no chair of directors;
 - (ii) the chair of directors is not present within 15 minutes after the time appointed for the meeting; or
 - (iii) the chair of directors is present within that time but is not willing to act as chair of the meeting,

the directors present may elect a person present to chair the meeting.

- (c) Subject to rules 6.4(a) and 6.4(b), if at a general meeting:
 - (i) a chair has not been previously elected by the directors; or
 - (ii) a previously elected chair is not available or is not willing to act as a chair of the meeting (or part of the meeting),

the members present must elect as chair of the meeting another person who is present and willing to act.

6.5 Use of technology at general meetings

- (a) Subject to the Corporations Act and this constitution, the contemporaneous linking together by a form of technology of a number of members sufficient to constitute a quorum constitutes a general meeting.
- (b) Where a general meeting is held at two or more venues using any form of technology:
 - (i) a member participating in the meeting is taken to be present in person at the meeting;

- (ii) the provisions of this constitution relating to general meetings apply, so far as they can and with such changes as are necessary, to general meetings held using that technology; and
 - (iii) the meeting is to be taken to be held at the place determined by the chair provided that at least one of the members present at the meeting was at the place for the duration of the general meeting.
- (c) If the technology used in rule 6.5(b) encounters a technical difficulty, whether before or during the general meeting, which results in a member not being able to participate in the meeting, the chair may, subject to the Corporations Act and rule 6.3:
 - (i) allow the meeting to continue; or
 - (ii) adjourn the meeting either for a reasonable period of time as may be required to fix the technology or to such other date, time and location as the chair of the meeting considers appropriate.
- (d) For the avoidance of doubt, where the chair has allowed the general meeting to continue in accordance with rule 6.5(c)(i), any resolution passed at that meeting is valid.

6.6 Conduct of general meetings

- (a) Any question arising at a general meeting relating to the order of business, procedure or conduct of the meeting must be referred to the chair of the meeting, whose decision is final.
- (b) The chair of a general meeting may, and must if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (c) It is not necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

6.7 Decisions at general meetings

- (a) Except in the case of any resolution which as a matter of law requires a special resolution, or as otherwise provided in the Shareholders' Deed, questions arising at a general meeting are to be decided by a majority of votes cast by the members present at the meeting and any such decision is for all purposes a decision of the members.
- (b) The chair may vote in his or her capacity as a member, but the chair has no casting vote in the case of an equality of votes on a proposed resolution.
- (c) A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is demanded before a vote by show of hands is taken or before or immediately after the declaration of the result of the show of hands:
 - (i) by the chair of the meeting;
 - (ii) by at least five members present and entitled to vote on the relevant resolution; or

- (iii) by a member or members present at the meeting and representing at least 5% of the votes that may be cast on the resolution on a poll.
- (d) A demand for a poll does not prevent the continuance of a general meeting for the transaction of any business other than the question on which the poll has been demanded.
- (e) Unless a poll is duly demanded, a declaration by the chair of a general meeting that a resolution has on a show of hands been carried or carried unanimously, or carried by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- (f) If a poll is duly demanded at a general meeting, it will be taken when and in the manner the chair of the meeting directs, and the result of the poll will be the resolution of the meeting at which the poll was demanded.
- (g) A poll cannot be demanded at a general meeting on the election of a chair of the meeting.
- (h) The demand for a poll may be withdrawn.

6.8 Voting rights

- (a) Subject to this constitution and to any rights or restrictions attached to any shares or class of shares, at a general meeting:
 - (i) on a show of hands, every member present has one vote;
 - (ii) on a poll, every member present has:
 - (A) one vote for each fully paid share held by the member and in respect of which the member is entitled to vote; and
 - (B) a fraction of a vote for each partly paid share held by the member and in respect of which the member is entitled to vote, equivalent to the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share; and
 - (iii) for the purposes of rule 6.8(a)(ii)(B), an amount paid on a share in advance of a call is to be ignored.
- (b) Where a person present at a general meeting represents personally or by proxy, attorney or Representative more than one member the following rules apply to a vote taken on a show of hands:
 - (i) the person is entitled to one vote only despite the number of members the person represents; and
 - (ii) the person's vote will be taken as having been cast for all the members the person represents.
- (c) A joint holder may vote at any meeting in person or by proxy, attorney or Representative as if that person was the sole holder. If more than one joint holder

tenders a vote, only the vote of the holder whose name appears first in the register of members counts.

- (d) The parent or guardian of an infant member may vote at a general meeting on evidence being produced of the relationship or of the appointment of the guardian as the directors may require and any vote so tendered by a parent or guardian of an infant member must be accepted to the exclusion of the vote of the infant member.
- (e) A person entitled to a share as a result of a Transmission Event may vote at a general meeting in respect of that share in the same manner as if that person were the registered holder of the share if, before the meeting, the directors have:
 - (i) admitted that person's right to vote at that meeting in respect of the share; or
 - (ii) been satisfied of that person's right to be registered as the holder of, or to transfer, the share under rule 5.3(c),and any vote tendered by that person must be accepted to the exclusion of the vote of the registered holder of the share.
- (f) Where a member holds any share on which any call due and payable to the Company has not been duly paid:
 - (i) that member is only entitled to be present at a general meeting and vote if other shares are held by that member on which no call is then due and payable; and
 - (ii) upon a poll, that member is not entitled to vote in respect of that share but may vote in respect of any other shares held upon which no call is then due and payable.
- (g) An objection to the qualification of a person to vote at a general meeting:
 - (i) must be raised before or immediately after the result of the motion on which the vote objected to is given or tendered; and
 - (ii) must be referred to the chair of the meeting, whose decision is final.
- (h) A vote not disallowed by the chair of a meeting under rule 6.8(g) is valid for all purposes.

6.9 Representation at general meetings

- (a) Subject to this constitution, each member entitled to vote at a meeting of members may vote:
 - (i) in person or, where a member is a body corporate, by its Representative;
 - (ii) by proxy or, if the member is entitled to cast two or more votes at the meeting, by not more than two proxies; or
 - (iii) by not more than two attorneys.
- (b) A proxy, attorney or Representative may be a member of the Company but does not have to be a member.

- (c) A proxy, attorney or Representative may be appointed for all general meetings, or for any number of general meetings, or for a particular general meeting.
- (d) Unless otherwise provided in the Corporations Act or in the appointment, an appointment of a proxy, attorney or Representative will be taken to confer authority:
 - (i) to agree to a meeting being convened by shorter notice than is required by the Corporations Act or by this constitution;
 - (ii) to speak to any proposed resolution on which the proxy, attorney or Representative may vote;
 - (iii) to demand or join in demanding a poll on any resolution on which the proxy, attorney or Representative may vote;
 - (iv) even though the appointment may refer to specific resolutions and may direct the proxy, attorney or Representative how to vote on those resolutions:
 - (A) to vote on any amendment moved to the proposed resolutions and on any motion that the proposed resolutions not be put or any similar motion;
 - (B) to vote on any procedural motion, including any motion to elect the chair, to vacate the chair or to adjourn the meeting; and
 - (C) to act generally at the meeting; and
 - (v) even though the appointment may refer to a specific meeting to be held at a specified time or venue, where the meeting is rescheduled or adjourned to another time or changed to another venue, to attend and vote at the re-scheduled or adjourned meeting or at the new venue.
- (e) The chair of a meeting may require any person purporting to act as a proxy, attorney or Representative to establish to the satisfaction of the chair that the person has been validly appointed as a proxy, attorney or Representative and is the person named in the relevant instrument of appointment, failing which the person may be excluded from attending or voting at the meeting. The chair may delegate his or her powers under this rule 6.9(e) to any person.
- (f) Where a member appoints two proxies or attorneys to vote at the same general meeting and the authority of one is not conditional on the other failing to attend or vote, the following rules apply:
 - (i) where the appointment does not specify the proportion or number of the member's votes each proxy or attorney may exercise, each proxy or attorney may exercise half of the member's votes;
 - (ii) on a show of hands, neither proxy or attorney may vote; and
 - (iii) on a poll, each proxy or attorney may only exercise the voting rights the proxy or attorney represents.
- (g) An instrument appointing a proxy or attorney may direct the manner in which the proxy or attorney is to vote in respect of a particular resolution and, where an instrument so provides, the proxy or attorney is not entitled to vote on the proposed resolution except as directed in the instrument.

- (h) A proxy or attorney may not vote at a general meeting or adjourned meeting unless the instrument appointing the proxy or attorney, and the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed, are received:
 - (i) at the registered office of the Company, the fax number at its registered office or at another place, fax number or electronic address specified for that purpose in the notice convening the meeting; and
 - (ii) by the time specified in the notice of meeting.
- (i) A vote given in accordance with the terms of an instrument appointing a proxy or attorney is valid despite:
 - (i) a Transmission Event occurring in relation to the appointer; or
 - (ii) the revocation of the instrument or of the authority under which the instrument was executed,

if no notice in writing of the Transmission Event or revocation has been received by the Company by the time and at one of the places at or in the manner in which the instrument appointing the proxy or attorney is required to be received under rule 6.9(h).
- (j) A vote given in accordance with the terms of an instrument appointing a proxy or attorney is valid despite the transfer of the share in respect of which the instrument was given if the transfer is not registered by the time at which the instrument appointing the proxy or attorney is required to be received under rule 6.9(h).
- (k) The appointment of a proxy or attorney is not revoked by the appointer attending and taking part in the general meeting but, if the appointer votes on any resolution, the proxy or attorney is not entitled to vote, and must not vote, as the appointer's proxy or attorney on the resolution.
- (l) The Company must include with a notice of meeting a proxy form which must provide for the appointer:
 - (i) to vote for or against each resolution; and
 - (ii) to appoint proxies of the appointer's choice, but may specify who is to be appointed as proxy if the appointer does not choose.

6.10 Resolutions without meetings

- (a) Subject to rule 6.10(c), the Company may pass a resolution without a general meeting being held, if all of the members entitled to vote on the resolution sign a document containing a statement that they are in favour of the resolution set out in the document.
- (b) For the purposes of rule 6.10(a):
 - (i) the document may be sent to members in any manner described in rule 14;
 - (ii) the resolution is passed when the last member signs;
 - (iii) separate copies of a document may be used for signing by members if the wording of the resolution and statement is identical in each copy;

- (iv) a signature of a member transmitted to the Company by facsimile or email is sufficient evidence of signature; and
- (v) where a share is held jointly, each joint member must sign.
- (c) Rule 6.10(a) does not apply to a resolution to remove an auditor.
- (d) Where a document is signed in accordance with rule 6.10(a) the document is to be taken as a minute of the passing of the resolution.

6.11 Resolutions of single member company

If the Company has only one member, the Company may pass a resolution by the member recording it and signing the record. That record is to be taken as a minute of the passing of that resolution.

7 Directors

7.1 Appointment and removal of directors

- (a) Subject to the Shareholders' Deed, there must be:
 - (i) at least five directors; and
 - (ii) subject to rule 7.1(d), not more than 10 directors.
- (b) The directors in office on the date that this constitution was adopted by the Company continue in office but on the terms and conditions set out in this constitution.
- (c) Subject to the Shareholders' Deed, the Company may by resolution increase or reduce the maximum number of directors.
- (d) If the Shareholders' Deed is in force, then without limiting rule 7.2, a director may only be appointed or removed in accordance with the applicable provisions of the Shareholders' Deed. Otherwise:
 - (i) the Company may by resolution appoint or remove a director; and
 - (ii) the directors may appoint any natural person to be a director, either to fill a casual vacancy or as an addition to the existing directors, but the total number of directors must not at any time exceed the maximum number allowed under this constitution or the Shareholders' Deed.
- (e) Subject to rule 7.1 of this constitution, the Shareholders' Deed and the terms of any agreement entered into between the Company and the relevant director, a director holds office until the director dies or is removed from office pursuant to rule 7.1(d)(i).
- (f) A shareholder or group of shareholders entitled to appoint a director under the Shareholders' Deed is entitled to appoint an observer. Except for the right to attend Board meetings, an observer does not have any other rights equivalent to the rights of a Director, including any right to participate in Board discussion, vote on Board resolutions or require the Board to follow any advice or direction.

7.2 Vacation of office

The office of a director becomes vacant:

- (a) in circumstances prescribed by the Corporations Act;
- (b) in circumstances prescribed by the Shareholders' Deed;
- (c) if the director:
 - (i) becomes of unsound mind or a person who is, or whose estate is, liable to be dealt with in any way under the law relating to mental health; or
 - (ii) resigns by notice in writing to the Company.

7.3 Remuneration of directors

Subject to the Shareholders' Deed:

- (a) directors are entitled to be paid all reasonable travelling and other expenses properly incurred by them in connection with the affairs of the Company, including attending and returning from general meetings of the Company or meetings of the directors or of committees of the directors; and
- (b) a director is entitled to remuneration out of the funds of the Company as determined by the directors.

7.4 Director need not be a member

- (a) A director is not required to hold any shares in the Company to qualify for appointment.
- (b) A director is entitled to attend and speak at general meetings even if he or she is not a member of the Company.

7.5 Interested directors

- (a) If:
 - (i) the Shareholders' Deed is in force; and
 - (ii) the Shareholders' Deed includes provisions governing the rights and obligations of interested or conflicted directors,then:
 - (iii) those provisions will apply as if set out in this rule 7.5; and
 - (iv) the remainder of this rule 7.5 will continue to apply to the extent that it is not inconsistent with the terms of the Shareholders' Deed.
- (b) A director may hold any other office or place of profit, other than auditor, in the Company or a related body corporate in conjunction with his or her directorship. A director may be appointed to that office or place of profit on the terms as to remuneration, tenure of office and otherwise as the directors think fit.

- (c) A director of the Company may be a director or other officer of:
 - (i) a related body corporate;
 - (ii) a body corporate promoted by the Company; or
 - (iii) a body corporate in which the Company is interested, as shareholder or otherwise,

or be otherwise interested in any of those bodies corporate. A director is not accountable to the Company for any remuneration or other benefits received by the director as a director or officer of that body corporate or from having an interest in that body corporate.

- (d) The directors may exercise the voting rights conferred by shares in any body corporate held or owned by the Company as the directors think fit. This includes voting in favour of any resolution appointing a director as a director or other officer of that body corporate, or voting for the payment of remuneration to the directors or other officers of that body corporate. A director may, if permitted by law, vote in favour of the exercise of those voting rights even if he or she is, or may be about to be appointed, a director or other officer of that other body corporate.
- (e) Subject to the Shareholders' Deed, a director is not disqualified merely because of being a director from contracting with the Company in any respect including, without limitation:
 - (i) holding any office or place of profit with a shareholder or an affiliate of a shareholder;
 - (ii) selling any property to, or purchasing any property from, the Company;
 - (iii) lending any money to, or borrowing any money from, the Company with or without interest and with or without security;
 - (iv) guaranteeing the repayment of any money borrowed by the Company for a commission or profit;
 - (v) underwriting or guaranteeing the subscription for securities in the Company or in a related body corporate or any other body corporate promoted by the Company or in which the Company may be interested as a shareholder or otherwise, for a commission or profit; or
 - (vi) being employed by the Company or acting in any professional capacity, other than auditor, on behalf of the Company.
- (f) No contract made by a director with the Company and no contract or arrangement entered into by or on behalf of the Company in which any director may be in any way interested is avoided or rendered voidable merely because the director holds office as a director or because of the fiduciary obligations arising out of that office.
- (g) No director contracting with the Company or being interested in any arrangement involving the Company is liable to account to the Company for any profit realised by or under a contract or arrangement of that kind merely because the director holds office as a director or because of the fiduciary obligations arising out of that office.

- (h) Subject to rules 7.5(i) and 7.5(j), a director who is in any way interested in a contract or arrangement or proposed contract or arrangement may, despite that interest:
 - (i) be counted in determining whether or not a quorum is present at any meeting of directors considering that contract or arrangement or proposed contract or arrangement;
 - (ii) vote in respect of the contract or arrangement or proposed contract or arrangement or any matter arising out of those things; and
 - (iii) sign or countersign any document relating to that contract or arrangement or proposed contract or arrangement.
- (i) Rule 7.5(h) does not apply if, and to the extent that, it would be contrary to the Corporations Act.
- (j) The directors may make regulations requiring the disclosure of interests that a director, and any person deemed by the directors to be related to or associated with the director, may have in any matter concerning the Company or a related body corporate. Any regulations made under this rule 7.5(j) bind all directors and apply in addition to any obligations imposed on the directors by the Corporations Act to disclose interests to the Company.

7.6 Powers and duties of directors

- (a) Subject to the Shareholders' Deed, the directors are responsible for managing the business of the Company and may exercise to the exclusion of the Company in general meeting all the powers of the Company which are not required, by the Corporations Act or this constitution or the Shareholders' Deed, to be exercised by the Company in general meeting.
- (b) Without limiting rule 7.6(a) and subject to the Shareholders' Deed, the directors may exercise all the powers of the Company to borrow or otherwise raise money, to charge any property or business of the Company or all or any of its uncalled capital and to issue debentures, give any indemnities or guarantees, or give any other security for a debt, liability or obligation of the Company or of any other person.
- (c) The directors may determine how cheques, promissory notes, bankers drafts, bills of exchange or other negotiable instruments or other documents must be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, by or on behalf of the Company.
- (d) The directors may pay out of the Company's funds all expenses of the promotion, formation and registration of the Company and the vesting in it of the assets acquired by it.
- (e) Subject to the Shareholders' Deed, the directors may:
 - (i) appoint or employ any person to be an officer, agent or attorney of the Company for the purposes, for the period and on the conditions as they think fit;
 - (ii) resolve to delegate any of their powers to an officer, agent or attorney and the officer, agent or attorney must exercise the powers delegated in accordance with any directions of the directors;

- (iii) authorise an officer, agent or attorney to delegate all or any of the powers, discretions and duties vested in the officer, agent or attorney; and
 - (iv) subject to any contract between the Company and the relevant officer, agent or attorney, remove or dismiss any officer, agent or attorney of the Company at any time, with or without cause.
- (f) A power of attorney may contain provisions for the protection and convenience of the attorney or persons dealing with the attorney as the directors think fit.

7.7 Proceedings of directors

- (a) The directors may hold meetings for the despatch of business and adjourn and otherwise regulate their meetings as required by the Shareholders' Deed and, in other cases, as they think fit.
- (b) Subject to the Corporations Act, the contemporaneous linking together by a form of technology of a number of the directors sufficient to constitute a quorum, constitutes a meeting of the directors and all the provisions in this constitution relating to meetings of the directors apply, so far as they can and with such changes as are necessary, to meetings of the directors held using a form of technology.
- (c) A meeting by telephone or other electronic means is taken to be held at the place where the chair of the meeting is or at such other place the chair of the meeting decides on, as long as at least one of the directors involved was at the place for the duration of the meeting.
- (d) A director taking part in a meeting by telephone or other electronic means is taken to be present in person at the meeting.
- (e) If, before or during the meeting, any technical difficulty occurs whereby one or more director has ceased to participate, the chair may adjourn the meeting until the difficulty is remedied or may, provided a quorum of directors remains present, continue with the meeting.

7.8 Convening of meetings of directors

- (a) If the Shareholders' Deed is in force and contains provisions relating to the convening of meetings of directors, matters relating to the convening of meetings of directors are to be determined in accordance with the applicable provisions of the Shareholders' Deed. Otherwise, the remainder of this rule 7.8 applies.
- (b) A director may, whenever the director thinks fit, convene a meeting of the directors.
- (c) A secretary must, on the requisition of a director, convene a meeting of the directors.

7.9 Notice of meetings of directors

- (a) If the Shareholders' Deed is in force and contains provisions relating to the convening of meetings of directors, matters relating to the convening of meetings of directors are to be determined in accordance with the applicable provisions of the Shareholders' Deed. Otherwise, the remainder of this rule 7.9 applies.
- (b) Subject to this constitution, notice of a meeting of directors must be given to each person who is at the time of giving the notice:

- (i) a director, other than a director on leave of absence approved by the directors; or
 - (ii) an alternate director appointed under rule 7.14 by a director on leave of absence approved by the directors.
- (c) A notice of a meeting of directors:
- (i) must specify the date, time and place of the meeting (and if the meeting is to be held in two or more places the technology that will be used to facilitate this);
 - (ii) need not state the nature of the business to be transacted at the meeting;
 - (iii) may be given in person or by post, or, subject to the Corporations Act, by a form of technology; and
 - (iv) is taken to have been given to an alternate director if it is given to the director who appointed that alternate director.
- (d) A director or alternate director may waive notice of a meeting of directors by notifying the Company to that effect in person or by post, or by a form of technology.
- (e) The non-receipt of notice of a meeting of directors by, or a failure to give notice of a meeting of directors to, a director does not invalidate any act, matter or thing done or resolution passed at the meeting if:
- (i) the non-receipt or failure occurred by accident or error;
 - (ii) before or after the meeting, the director or an alternate director appointed by the director:
 - (A) waives notice of that meeting under rule 7.9(d); or
 - (B) notifies the Company of his or her agreement to that act, matter, thing or resolution personally or by post, or by a form of technology; or
 - (iii) the director or an alternate director appointed by the director attended the meeting.
- (f) The non-receipt of notice of a meeting of directors by, or a failure to give notice of a meeting of directors to, an alternate director of a director on leave of absence approved by the directors does not invalidate any act, matter or thing done or resolution passed at the meeting if:
- (i) the non-receipt or failure occurred by accident or error;
 - (ii) before or after the meeting, the alternate director or the director who appointed the alternate director:
 - (A) waives notice of that meeting under rule 7.9(d); or
 - (B) notifies the Company of his or her agreement to that act, matter, thing or resolution personally or by post, or by a form of technology; or

- (iii) the alternate director or the director who appointed the alternate director attended the meeting.
- (g) Attendance by a person at a meeting of directors waives any objection that person and:
 - (i) if the person is a director, an alternate director appointed by that person; or
 - (ii) if the person is an alternate director, the director who appointed that person as alternate director,may have to a failure to give notice of the meeting.

7.10 Quorum at meetings of directors

- (a) No business may be transacted at a meeting of directors unless there is a quorum of directors at the time the business is dealt with.
- (b) If the Shareholders' Deed is in force, a quorum for a meeting of directors is as set out in the applicable provisions of the Shareholders' Deed. Otherwise, a quorum consists of:
 - (i) if the directors have fixed a number for the quorum, that number of directors; and
 - (ii) in the case of a company with a single director, that director; or
 - (iii) in any other case, two directors.
- (c) If there is a vacancy in the office of a director, the remaining director or directors may act but, if the number of remaining directors is not sufficient to constitute a quorum at a meeting of directors, the remaining director or directors may act only in an emergency or for the purpose of increasing the number of directors to a number sufficient to constitute a quorum or of convening a general meeting of the Company.

7.11 Chair and deputy chair of directors

- (a) The directors may elect one of the directors to the office of chair of directors and may determine the period for which that director is to be chair of directors.
- (b) The chair of directors must preside as chair at each meeting of directors, if present within 10 minutes after the time appointed for the holding of the meeting and willing to act.
- (c) If at a meeting of directors:
 - (i) there is no chair of directors;
 - (ii) the chair of directors is not present within 10 minutes after the time appointed for the holding of the meeting; or
 - (iii) the chair of directors is present within that time but is not willing to act as chair of the meeting or of part of the meeting,the directors present must elect one of themselves to be chair of the meeting or part of the meeting.

- (d) Subject to rules 7.11(b) and 7.11(c), if at a meeting of directors:
 - (i) there is no deputy chair of directors;
 - (ii) the deputy chair of directors is not present within 10 minutes after the time appointed for the holding of the meeting or of part of the meeting; or
 - (iii) the deputy chair of directors is present within that time but is not willing to act as chair of the meeting or part of the meeting,

the directors present must elect one of themselves to be chair of the meeting or part of the meeting.

7.12 Decisions of directors

- (a) A meeting of directors at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the directors under this constitution.
- (b) If the Shareholders' Deed is in force, questions arising at a meeting of directors must be decided in accordance with the applicable provisions of the Shareholders' Deed (including in respect of reserved matters). Otherwise, questions arising at a meeting of directors are to be decided by a majority of votes cast by the directors present and a decision of that kind is for all purposes a determination of the directors.
- (c) Subject to rule 7.12(d), in the case of an equality of votes upon any proposed resolution, the chair of the meeting has a casting vote in addition to any vote the chair has in his or her capacity as a director.
- (d) In the case of an equality of votes on a proposed resolution:
 - (i) the chair of the meeting does not have a second or casting vote; and
 - (ii) the proposed resolution is to be taken as having been lost.

7.13 Written resolutions

- (a) An act, matter or thing is taken to have been done or a resolution passed by a meeting of the directors, if a document containing a statement to that effect is assented to in accordance with the applicable provisions of the Shareholders' Deed as a written resolution of directors, or without limiting this rule 7.13(a), by all of the directors other than:
 - (i) a director on leave of absence approved by the directors;
 - (ii) a director who disqualifies himself or herself from considering the act, matter or thing in question on the grounds that he or she is not entitled at law to do so or has a conflict of interest; and
 - (iii) a director who the directors reasonably believe is not entitled to do the act, matter or thing or to vote on the resolution in question,

and the directors who assent to the document would have constituted a quorum at a meeting held to consider that act, matter, thing or resolution and the proposed resolutions was circulated to all directors.

- (b) The act, matter or thing is taken to have been done or the resolution passed when the document is last assented to by a director.
- (c) Two or more separate documents in identical terms each of which is assented to by one or more directors are to be taken as constituting one document.
- (d) A director may signify assent to a document by signing the document or by notifying the Company of the director's assent in person or by post, fax, telephone or other method of written, audio or audio visual communication or other form of technology.
- (e) Where a director signifies assent to a document otherwise than by signing the document, the director must by way of confirmation sign the document at the next meeting of the directors attended by that director, but failure to do so does not invalidate the act, matter, thing or resolution to which the document relates.
- (f) Where a document is assented to in accordance with this rule 7.13, the document is to be taken as a minute of a meeting of directors.

7.14 Alternate directors

- (a) If:
 - (i) the Shareholders' Deed is in force; and
 - (ii) the Shareholders' Deed includes provisions governing the appointment and rights and obligations of alternate directors,then:
 - (iii) those provisions will apply as if set out in this rule 7.14; and
 - (iv) the remainder of this rule 7.14 will continue to apply to the extent that it is not inconsistent with the terms of the Shareholders' Deed.
- (b) A director may, with the approval of the directors, appoint a person to be the director's alternate director for a period which the director thinks fit.
- (c) An alternate director may be a member or a director of the Company but need not be a member or a director.
- (d) One person may act as alternate director to more than one director.
- (e) An alternate director is entitled, if the appointer does not attend a meeting of directors, to attend and vote in place of and on behalf of the appointer.
- (f) An alternate director is entitled to a separate vote for each director the alternate director represents in addition to any vote the alternate director may have as a director in his or her own right.
- (g) In the absence of the appointer, an alternate director may exercise any powers that the appointer may exercise and the exercise of that power by the alternate director is to be taken to be the exercise of the power by the appointer.
- (h) The office of an alternate director is vacated if and when the appointer vacates office as a director.

- (i) The appointment of an alternate director may be terminated at any time by the appointer even though the period of the appointment of the alternate director has not expired.
- (j) An appointment, or the termination of an appointment, of an alternate director must be in writing signed by the director who makes or made the appointment and does not take effect unless and until the Company has received notice in writing of the appointment or termination.
- (k) An alternate director is not to be taken into account in determining the minimum or maximum number of directors allowed under this constitution.
- (l) In determining whether a quorum is present at a meeting of directors, a director or an alternate director who attends the meeting is to be counted once only.
- (m) An alternate director is entitled to be paid the remuneration which the directors think fit, either in addition to or in reduction of the remuneration payable to the director for whom the alternate director acts as alternate.
- (n) An alternate director is not entitled to be remunerated by the Company for his or her services as alternate director except as provided in rule 7.14(m).
- (o) An alternate director, while acting as a director, is responsible to the Company for his or her own acts and defaults and is not to be taken to be the agent of the director by whom he or she was appointed.

7.15 Committees of directors

- (a) The directors may resolve to delegate any of their powers to a committee or committees consisting of such number of directors as they think fit.
- (b) A committee to which any powers have been so delegated must exercise the powers delegated in accordance with any directions of the directors.
- (c) The provisions of this constitution applying to meetings and resolutions of directors apply, so far as they can and with the changes as are necessary, to meetings and resolutions of a committee of directors.

7.16 Delegation to individual directors

- (a) The directors may resolve to delegate any of their powers to one director.
- (b) A director to whom any powers have been so delegated must exercise the powers delegated in accordance with any directions of the directors.

7.17 Validity of acts

An act done by a person acting as a director or by a meeting of directors or a committee of directors attended by a person acting as a director is not invalidated by reason only of:

- (a) a defect in the appointment of the person as a director;
- (b) the person being disqualified to be a director or having vacated office; or
- (c) the person not being entitled to vote,

if that circumstance was not known by the person or the directors or committee, as the case may be, when the act was done.

8 Executive officers

8.1 Managing directors

- (a) Subject to the Shareholders' Deed, the directors may appoint one or more of the directors to the office of managing director.
- (b) A managing director's appointment as managing director automatically terminates if the managing director ceases to be a director.

8.2 Deputy managing directors

- (a) The directors may appoint one or more of the directors to the office of deputy managing director.
- (b) A deputy managing director's appointment as deputy managing director automatically terminates if the deputy managing director ceases to be a director.

8.3 Executive directors

- (a) A reference in this rule 8.3 to an executive director is a reference to a director who is also an officer of the Company or of a related body corporate in a capacity other than director, managing director or deputy managing director.
- (b) The directors may confer on an executive director any title they think fit.
- (c) Unless the directors decide otherwise, the terms on which an executive director is appointed will provide that the executive director's appointment:
 - (i) as a director automatically terminates if the executive director ceases to be an officer of the Company or of a related body corporate in a capacity other than director; or
 - (ii) as an officer of the Company or of a related body corporate in a capacity other than director automatically terminates if the executive director ceases to be a director.

8.4 Secretaries

- (a) The directors must appoint at least one secretary and may appoint additional secretaries.
- (b) The directors may appoint one or more assistant secretaries.
- (c) Any director may also be the secretary or a secretary of the Company.

8.5 Provisions applicable to all executive officers

- (a) A reference in this rule 8.5 to an executive officer is a reference to a managing director, deputy managing director, executive director, secretary or assistant secretary appointed under this rule 8.

- (b) The appointment of an executive officer may be for the period, at the remuneration and on the conditions the directors think fit.
- (c) The remuneration payable by the Company to an executive officer who is also a director must not include a commission on operating revenue or a percentage of operating revenue.
- (d) Subject to any contract between the Company and the relevant executive officer, an executive officer of the Company may be removed or dismissed by the directors at any time, with or without cause.
- (e) The directors may:
 - (i) confer on an executive officer the powers, discretions and duties as they think fit, and may resolve to delegate any powers, discretions and duties vested in or exercisable by the directors;
 - (ii) withdraw, suspend or vary any of the powers, discretions and duties conferred on an executive officer; and
 - (iii) authorise the executive officer to delegate all or any of the powers, discretions and duties conferred on the executive officer.
- (f) An executive officer is not required to hold any shares to qualify for appointment.
- (g) An act done by a person acting as an executive officer is not invalidated by reason only of:
 - (i) a defect in the person's appointment as an executive officer; or
 - (ii) the person being disqualified to be an executive officer,if that circumstance was not known by the person when the act was done.

9 Seals

9.1 Adoption of common Seal

- (a) The directors may determine that the Company have a common Seal or that the Company no longer have a common Seal, and may revoke a determination made under this rule 9.1(a).
- (b) Rules 9.2, 9.3, 9.4, 9.5 and 9.6 only apply if the Company has a common Seal.

9.2 Safe custody of Seal

The directors must provide for the safe custody of the Seal.

9.3 Use of Seal

- (a) The Seal must be used only by the authority of the directors or a committee of the directors authorised by the directors to authorise the use of the Seal.
- (b) The authority to use the Seal may be given before or after the Seal is used.

- (c) Subject to rule 9.3(b) and rule 9.6, until the directors otherwise determine, the fixing of the Seal to a document must be witnessed by a director and by another director, a secretary or another person appointed by the directors to witness that document or a class of documents in which that document is included.

9.4 Duplicate Seal

- (a) The Company may have for use in place of its common Seal outside the state or territory where its common Seal is kept one or more duplicate Seals, each of which must be a replica of the common Seal of the Company with the addition on its face of the words "duplicate seal" and the name of the place where it is to be used.
- (b) A document sealed with a duplicate Seal is to be taken as having been sealed with the common Seal of the Company.

9.5 Share Seal or certificate Seal

- (a) The Company may have for use on certificates for securities of the Company in place of its common Seal one or more duplicate Seals, each of which must be a replica of the common Seal of the Company with the addition on its face of the words "share seal" or "certificate seal".
- (b) A certificate for securities of the Company sealed with a share Seal or certificate Seal is to be taken as having been sealed with the common Seal of the Company.

9.6 Sealing and signing of certificates

The directors may determine either generally or in a particular case that the Seal and the signature of any director, secretary or other person is to be printed on or affixed to any certificates for securities in the Company by some mechanical or other means.

10 Dividends and reserves

10.1 Dividends

- (a) Subject to the Corporations Act, the Shareholders' Deed and this constitution, the directors may pay any interim and final dividends as, in their judgment, the financial position of the Company justifies.
- (b) The directors may pay any dividend required to be paid under the terms of issue of a share.
- (c) The payment of a dividend does not require confirmation by a general meeting.
- (d) Subject to any rights or restrictions attached to a share or class of shares:
 - (i) all dividends in respect of a share must be paid in the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share;
 - (ii) all dividends must be apportioned and paid proportionately to the amount paid during any portion or portions of the period in respect of which the dividend is paid;
 - (iii) for the purposes of rules 10.1(d)(i) and 10.1(d)(ii), an amount paid on a share in advance of a call is to be ignored; and

- (iv) interest is not payable by the Company in respect of any dividend.
- (e) The directors may fix a record date in respect of a dividend.
- (f) A dividend in respect of a share must be paid to the person who is registered, or entitled under rule 5.1(g) to be registered, as the holder of the share:
 - (i) where the directors have fixed a record date in respect of the dividend, on that date; or
 - (ii) where the directors have not fixed a record date in respect of that dividend, on the date the dividend is paid,

and a transfer of a share that is not registered, or left with the Company for registration in accordance with rule 5.1(f), on or before that date is not effective, as against the Company, to pass any right to the dividend.

- (g) The directors when fixing the amount and time for payment of a dividend may:
 - (i) direct payment of the dividend wholly or partly by the distribution of specific assets, including fully paid shares or other securities of the Company or of another body corporate, either generally or to specific shareholders; and
 - (ii) direct that the dividend be paid to particular shareholders wholly or partly out of any particular fund or reserve or out of profits derived from any particular source and to the remaining shareholders wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source or generally.
- (h) The directors may deduct from any dividend payable to a member all sums of money presently payable by the member to the Company and apply the amount deducted in or towards satisfaction of the money owing.
- (i) Where a person is entitled to a share as a result of a Transmission Event, the directors may, but are not obliged to, retain any dividends payable on that share until that person becomes registered as the holder of the share or transfers it.
- (j) Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque and sent by post:
 - (i) to the address of the holder as shown in the register of members, or in the case of joint holders, to the address shown in the register of members as the address of the joint holder first named in that register; or
 - (ii) to such other address as the holder or joint holders in writing directs or direct.

This rule 10.1(j) does not adversely affect any other method of payment the directors may adopt.

- (k) A cheque sent under rule 10.1(j) may be made payable to bearer or to the order of the member to whom it is sent or any other person the member directs in writing and is sent at the member's risk.
- (l) For the avoidance of doubt, this rule 10.1 does not prohibit the directors from determining that dividends be paid on shares of one class but not another class and at different rates for different classes of shares.

10.2 Capitalisation of profits

- (a) Subject to the Shareholders' Deed and any rights or restrictions attached to any shares or class of shares, the directors may capitalise and distribute among such of the members as would be entitled to receive dividends and in the same proportions, any amount:
 - (i) forming part of the undivided profits of the Company;
 - (ii) representing profits arising from an ascertained accretion to capital or from a revaluation of the assets of the Company;
 - (iii) arising from the realisation of any assets of the Company; or
 - (iv) otherwise available for distribution as a dividend.
- (b) The directors may resolve that all or any part of the capitalised amount is to be applied:
 - (i) in paying up in full any unissued shares in or other securities of the Company;
 - (ii) in paying up any amounts unpaid on shares or other securities held by the members;
 - (iii) partly as specified in rule 10.2(b)(i) and partly as specified in rule 10.2(b)(ii); or
 - (iv) in any other way permitted by the Corporations Act,and that application must be accepted by the members entitled to share in the distribution in full satisfaction of their interests in the capitalised amount.
- (c) Rules 10.1(d), 10.1(e) and 10.1(f) apply, so far as they can and with any necessary changes, to a capitalisation of an amount under this rule 10.2 as if references in those rules to a dividend and to the date a dividend is paid were references to a capitalisation of an amount and to the date the directors resolve to capitalise the amount under this rule 10.2 respectively.

10.3 Ancillary powers

- (a) The directors may do any of the following things to give effect to a resolution for the satisfaction of a dividend in the manner set out in rule 10.1(g)(i) or by the capitalisation of an amount under rule 10.2:
 - (i) settle as they think expedient any difficulty that may arise in making the distribution or capitalisation and, in particular, where shares or other securities in the Company are or would otherwise be issuable in fractions:
 - (A) determine that fractions are to be disregarded or are to be rounded down to the nearest whole number;
 - (B) determine that fractions are to be rounded up to the nearest whole number; or
 - (C) make cash payments in respect of the fractional entitlement;

- (ii) fix the value for distribution of any specific assets;
- (iii) pay cash or issue shares or other securities to any members in order to adjust the rights of all parties;
- (iv) vest any specific assets, cash, shares or other securities in a trustee on such trusts for the persons entitled to the dividend or capitalised amount as may seem expedient to the directors; and
- (v) authorise any person to make, on behalf of all the members entitled to any further shares or other securities as a result of the distribution or capitalisation, an agreement with the Company or another body corporate providing, as appropriate:
 - (A) for the issue to them of further shares or other securities as fully paid; or
 - (B) for the payment by the Company on their behalf of the amounts or any part of the amounts remaining unpaid on their existing shares or other securities by the application of their respective proportions of the sum resolved to be capitalised,

and any agreement made under an authority referred to in this rule 10.3(a)(v) is effective and binding on all members concerned.

- (b) If the Company distributes to a member shares or other securities in the Company or another body corporate or a trust, the member appoints the Company as his or her agent to do anything needed to give effect to that distribution, including agreeing to become a member of that other body corporate.

10.4 Reserves

- (a) Subject to this constitution, the directors may set aside out of the profits of the Company reserves or provisions for any purpose as they think fit.
- (b) The setting aside of an amount as a reserve or provision does not require the directors to keep the amount separate from other assets of the Company or prevent the amount being used in the business of the Company, invested as the directors think fit or subsequently distributed to members.

10.5 Dividend reinvestment plans

- (a) The directors may implement a dividend reinvestment plan on the terms they think fit under which the whole or any part of a dividend due to members who participate in the plan on their shares or any class of shares may be applied in subscribing for securities of the Company or of a related body corporate.
- (b) The directors may amend, suspend or terminate a dividend reinvestment plan implemented by them.

10.6 Dividend selection plans

- (a) The directors may implement a dividend selection plan on the terms they think fit under which participants may elect in respect of all, or part, of their shareholdings:
 - (i) to receive a dividend from the Company paid wholly or partly out of a particular fund or reserve or out of profits derived from a particular source; or

- (ii) to forego a dividend from the Company in place of another form of distribution from the Company or another body corporate or a trust.
- (b) The directors may amend, suspend or terminate any dividend selection plan implemented by them.

10.7 Capital reductions

The Company may reduce its share capital by any of the means authorised by the Corporations Act, subject to the provisions of that law. The Company may reduce its share capital in any way that is not otherwise authorised by law, including by way of an in specie distribution of the assets of the Company (including any shares, options or other securities in another body corporate), if the reduction:

- (a) is fair and reasonable to the members of the Company as a whole;
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) is approved by members in accordance with section 256C of the Corporations Act.

10.8 Shares in another body corporate

Where the Company, pursuant to a reduction of its share capital in accordance with rule 10.7, distributes shares, options or other securities in another body corporate to members:

- (a) the members of the Company will be deemed to have agreed to become members of that body corporate; and
- (b) each of the members appoints the Company or any of the directors as its agent to execute any transfer or other document required to effect the distribution of shares, options or other securities to that member.

11 Winding up

11.1 Distribution of surplus

Subject to this constitution, the Shareholders' Deed and to the rights or restrictions attached to any shares or class of shares:

- (a) if the Company is wound up and the property of the Company is more than sufficient:
 - (i) to pay all of the debts and liabilities of the Company; and
 - (ii) the costs, charges and expenses of the winding up,

the excess must be divided among the members in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares;

- (b) for the purpose of calculating the excess referred to in rule 11.1(a), any amount unpaid on a share is to be treated as property of the Company;

- (c) the amount of the excess that would otherwise be distributed to the holder of a partly paid share under rule 11.1(a) must be reduced by the amount unpaid on that share at the date of the distribution; and
- (d) if the effect of the reduction under rule 11.1(c) would be to reduce the distribution to the holder of a partly paid share to a negative amount, the holder must contribute that amount to the Company.

11.2 Division of property

- (a) If the Company is wound up, the liquidator may, with the sanction of a special resolution:
 - (i) divide among the members the whole or any part of the property of the Company; and
 - (ii) determine how the division is to be carried out as between the members or different classes of members.
- (b) A division under rule 11.2(a) may be otherwise than in accordance with the legal rights of the members and, in particular, any class may be given preferential or special rights or may be excluded altogether or in part.
- (c) Where a division under rule 11.2(a) is otherwise than in accordance with the legal rights of the members, a member is entitled to dissent and to exercise the same rights as if the special resolution sanctioning that division were a special resolution passed under section 507 of the Corporations Act.
- (d) If any of the property to be divided under rule 11.2(a) includes securities with a liability to calls, a person entitled under the division to any of the securities may within 10 Business Days after the passing of the special resolution referred to in that rule, by notice in writing direct the liquidator to sell the person's proportion of the securities and to account for the net proceeds and the liquidator must, if practicable, act accordingly.
- (e) Nothing in this rule 11.2 adversely affects any right to exercise any statutory or other power which would have existed if this rule were omitted.
- (f) Rule 10.3 applies, so far as it can and with necessary changes, to a division by a liquidator under rule 11.2(a) as if references in rule 10.3(a) to the directors and to a distribution or capitalisation were references to the liquidator and to the division under rule 11.2(a) respectively.

12 Minutes and records

12.1 Minutes

The directors must cause minutes of:

- (a) all proceedings and resolutions of general meetings;
- (b) proceedings and resolutions of meetings of the directors and of committees of the directors; and
- (c) resolutions passed by directors without a meeting,

to be recorded and entered in books kept for that purpose, within one month after the meeting is held or the resolution is passed.

12.2 Proxies

The directors must ensure that the Company records in the minutes of a meeting in respect of each resolution in the notice of meeting:

- (a) the total number of proxy votes exercisable by all validly appointed proxies; and
- (b) how many proxy votes were for, against or abstained from the resolution or allowed the proxy to vote at the proxy's discretion.

12.3 Polls

If a poll is taken on a resolution, in addition to the information in rules 12.1 and 12.2, the minutes must also record the total number of votes cast on the poll, and the number of votes for, against and abstaining from that resolution.

12.4 Signing of minutes

- (a) Minutes of a meeting must be signed by the chair of the meeting or the chair of the next meeting within a reasonable time after the meeting.
- (b) Minutes of the passing of a resolution without a meeting or the making of a declaration must be signed by a director within a reasonable time after the resolution is passed.

12.5 Minutes as evidence

A minute that is recorded and signed in accordance with rules 12.1 and 12.4 is evidence of the proceeding, resolution or declaration to which it relates, unless the contrary is proved.

12.6 Inspection of records

- (a) Subject to the Corporations Act, the directors may determine whether and to what extent, and at what time and places and under what conditions, the minute books, accounting records and other documents of the Company or any of them will be open to the inspection of members other than directors.
- (b) A member other than a director does not have the right to inspect any books, records or documents of the Company except as provided by law or authorised by the directors.

13 Indemnity and insurance

13.1 Persons to whom rules 13.2 and 13.4 apply

Rules 13.2 and 13.4 apply:

- (a) to each person who is or has been a director, alternate director or executive officer (within the meaning of rule 8.3(a)) of the Company;
- (b) to such other officers or former officers of the Company or of its related bodies corporate as the directors in each case determine; and

- (c) if the directors so determine, to any auditor or former auditor of the Company or of its related bodies corporate.

13.2 Indemnity

The Company must indemnify to the extent permitted by law, each person to whom this rule 13.2 applies for all losses or liabilities incurred by the person as an officer or, if the directors so determine, an auditor of the Company or of a related body corporate including, but not limited to, a liability for negligence or for legal costs on a full indemnity basis.

13.3 Extent of Indemnity

The indemnity in rule 13.2:

- (a) is a continuing obligation and is enforceable by a person to whom rule 13.2 applies even though that person may have ceased to be an officer or auditor of the Company or of a related body corporate;
- (b) applies to losses and liabilities incurred both before and after the date of adoption of that rule;
- (c) operates only to the extent that the loss or liability is not covered by insurance; and
- (d) is enforceable without the person to whom this rule 13 applies first having to incur any expense or make any payment.

13.4 Insurance

The Company may, to the extent permitted by law:

- (a) purchase and maintain insurance; or
- (b) pay or agree to pay a premium for insurance,

for any person to whom this rule 13 applies against any liability incurred by the person as an officer or auditor of the Company or of a related body corporate including, but not limited to, a liability for negligence or for legal costs.

13.5 Advances

The Company may, to the extent permitted by law, make a payment (either by way of advance, loan or otherwise) to a person to whom this rule 13.5 applies for the legal costs and expenses incurred by him or her in defending Proceedings for a liability incurred in his or her capacity as a director or secretary provided that the legal costs and expenses are not of a kind that the Company is prohibited from indemnifying a person against under law at the time that payment is made and the director or secretary is obliged to repay the legal costs and expenses to the extent that they become legal costs and expenses of a kind that the Company is prohibited from indemnifying a person against under law.

13.6 Savings

Nothing in rules 13.2 or 13.4:

- (a) affects any other right or remedy that a person to whom those rules apply may have in respect of any loss or liability referred to in those rules; or

- (b) limits the capacity of the Company to indemnify or provide insurance for any person to whom those rules do not apply.

13.7 Deed

Without limiting a person's right under this rule 13, the Company may enter into a deed agreeing with the person to give effect to the rights of the person conferred by this rule 13 or the exercise of a discretion under this rule 13, on such terms and conditions as the directors think fit, as long as they are not inconsistent with this rule 13.

14 Notices

14.1 Notices by the Company to members

- (a) A notice may be given by the Company to a member:
 - (i) by serving it personally at, or by sending it by post in a prepaid envelope to, the member's address as shown in the register of members or such other address, or by fax or email to such fax number or email address as the member has supplied to the Company for the giving of notices; or
 - (ii) if the member does not have a registered address and has not supplied another address to the Company for the giving of notices, by exhibiting it at the registered office of the Company.
- (b) A notice may be given by the Company to the joint holders of a share by giving the notice in the manner authorised by rule 14.1(a) to the joint holder first named in the register of members in respect of the share.
- (c) A notice may be given by the Company to a person entitled to a share as a result of a Transmission Event by serving it or sending it in the manner authorised by rule 14.1(a)(i) addressed to the name or title of the person, at or to the address, fax number or email address supplied to the Company for the giving of notices to that person, or if no address, fax number or email address has been supplied, at or to the address, fax number or email address to which the notice might have been sent if the relevant Transmission Event had not occurred.
- (d) The fact that a person has supplied a fax number or email address for the giving of notices does not require the Company to give any notice to that person by fax or email.
- (e) A notice given to a member in accordance with rules 14.1(a) or 14.1(b) is, despite the occurrence of a Transmission Event and whether or not the Company has notice of that occurrence:
 - (i) duly given in respect of any shares registered in that person's name, whether solely or jointly with another person; and
 - (ii) sufficient service on any person entitled to the shares as a result of the Transmission Event.
- (f) A notice given to a person who is entitled to a share as a result of a Transmission Event is sufficient service on the member in whose name the share is registered.
- (g) Any person who, because of a transfer of shares, becomes entitled to shares registered in the name of a member is bound by every notice which, before that

person's name and address is entered in the register of members in respect of those shares, is given to the member in accordance with this rule 14.1.

- (h) A certificate signed by a director or secretary of the Company to the effect that a notice has been given in accordance with this constitution is conclusive evidence of that fact.

14.2 Notices by the Company to directors

Subject to this constitution, a notice may be given by the Company to any director or alternate director either by serving it personally at, or by sending it by post in a prepaid envelope to, the director's or alternate director's usual residential or business address, or such other address, or by fax or email to such fax number or email address as the director or alternate director has supplied to the Company for the giving of notices.

14.3 Notices by members or directors to the Company

Subject to this constitution, a notice may be given by a member, director or alternate director to the Company by serving it on the Company at, or by sending it by post in a prepaid envelope to, the registered office of the Company or by fax or email to the principal fax number or a nominated email address at the registered office of the Company.

14.4 Notices to members outside Australia

A notice to be sent to a member outside Australia and its external territories must be sent by airmail, fax or email, or in another way that ensures it will be received quickly.

14.5 Time of service

- (a) Where a notice is served personally, service of the notice is taken to be effected when delivered.
- (b) Where a notice is sent by post, service of the notice is to be taken to be effected if a prepaid envelope containing the notice is properly addressed and placed in the post and to have been effected:
 - (i) in the case of a notice of a general meeting, on the day after the date of its posting; or
 - (ii) in any other case, on the third Business Day after the date of postage, or if to a place outside Australia, on the seventh Business Day after the date of postage.
- (c) Where a notice is sent by fax, the notice is to be taken to be given on receipt by the sender of an acknowledgement or transmission report confirming delivery, generated by the machine from which the fax was sent.
- (d) Where a notice is sent by electronic mail, service of the notice is taken to be effected if the sender receives a confirmation of delivery and is taken to be given on the Business Day after the day on which it is sent.
- (e) Where the Company gives a notice under rule 14.1(a)(ii) by exhibiting it at the registered office of the Company, service of the notice is to be taken to be effected when the notice was first so exhibited.

14.6 Other communications and documents

Rules 14.1 to 14.5 (inclusive) apply, so far as they can and with necessary changes, to the service of any communication or document.

14.7 Notices in writing

A reference in this constitution to a notice in writing includes a notice given by fax, email or another form of written communication.

15 General

15.1 Currency

An amount payable to the holder of a share, whether by way of or on account of dividend, return of capital, participation in the property of the Company on a winding up or otherwise, may be paid, with the agreement of the holder or pursuant to the terms of issue of the share, in the currency of a country other than Australia and the directors may fix a date up to 30 days before the payment date as the date on which any applicable exchange rate will be determined for that purpose.

15.2 Submission to jurisdiction

Each member submits to the non-exclusive jurisdiction of the Supreme Court of the State or Territory in which the registered office of the Company is located, the Federal Court of Australia and the Courts which may hear appeals from those Courts.

15.3 Prohibition and enforceability

- (a) Any provision of, or the application of any provision of, this constitution which is void, illegal or unenforceable in any place is, in that place, ineffective only to the extent to which it is void, illegal or unenforceable.
- (b) Any provision of, or the application of any provision of, this constitution which is void, illegal or unenforceable in any place does not affect the validity, legality or enforceability of that provision in any other place or of the remaining provisions in that or any other place.

1 Dictionary

In this constitution:

Business Day means a day on which banks are open for business excluding Saturdays, Sundays and public holidays in New South Wales.

Company means RPAA Investments Limited (ACN 676 033 346).

Corporations Act means *Corporations Act 2001* (Cth).

Representative, in relation to a body corporate, means a representative of the body corporate appointed under section 250D of the Corporations Act.

Seal means any common seal, duplicate seal, share seal or certificate seal of the Company.

Shareholders' Deed means the shareholders' deed of the Company as amended from time to time.

Transmission Event means:

- (a) in respect of a member of the Company who is an individual:
 - (i) the death of the member;
 - (ii) the bankruptcy of the member; or
 - (iii) the member becoming of unsound mind or a person who is, or whose estate is, liable to be dealt with in any way under the law relating to mental health; and
- (b) in respect of a member of the Company who is a body corporate, the dissolution of the member or the succession by another body corporate to the assets and liabilities of the member.

2 Interpretation

2.1 General

- (a) A reference in this constitution to a partly paid share is a reference to a share on which there is an amount unpaid.
- (b) A reference in this constitution to a call or an amount called in respect of a share includes a reference to a sum that, by the terms of issue of a share, becomes payable on issue or at a fixed date.
- (c) A member is to be taken to be present at a general meeting if the member is present in person or by proxy, attorney or Representative.
- (d) Where a provision of this constitution establishes an office of chair, the chair may be referred to as a chairman or chairwoman, as the case requires.

- (e) A reference in this constitution in general terms to a person holding or occupying a particular office or position includes a reference to any person who occupies or performs the duties of that office or position for the time being.
- (f) In this constitution, headings, bold type and underlinings are for convenience only and do not affect the interpretation of this constitution and, unless the contrary intention appears:
 - (i) words importing the singular include the plural and vice versa;
 - (ii) words importing a gender include every other gender;
 - (iii) the words 'such as', 'including', 'particularly' and similar expressions are not used as nor intended to be interpreted as words of limitation;
 - (iv) words used to denote persons generally or importing a natural person include any Company, corporation, body corporate, body politic, partnership, joint venture, association, board, group or other body (whether or not the body is incorporated);
 - (v) a reference to a person includes that person's successors and legal personal representatives;
 - (vi) a rule, term, party or schedule is a reference to a rule or term of, or party or schedule to this constitution;
 - (vii) a reference to any statute, regulation, proclamation, ordinance or by-laws includes all statutes, regulations, proclamations, ordinances or by-laws varying, consolidating or replacing them and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute; and
 - (viii) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.

2.2 Application of the Corporations Act

- (a) This constitution is to be interpreted subject to the Corporations Act.
- (b) In this constitution, unless the contrary intention appears:
 - (i) a word or expression defined or given a meaning in the Corporations Act has the same meaning when used in this constitution in a similar context; and
 - (ii) "section" means a section in the Corporations Act.

2.3 Exercise of powers

- (a) The Company may exercise in any manner permitted by the Corporations Act any power which, under the Corporations Act, a Company limited by shares may exercise if authorised by its constitution.
- (b) Where this constitution provides that a person or body may do a particular act or thing and the word "may" is used, the act or thing may be done at the discretion of the person or body.

- (c) Where this constitution confers a power to do a particular act or thing, the power is, unless the contrary intention appears, to be taken as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend or vary that act or thing.
- (d) Where this constitution confers a power to do a particular act or thing with respect to particular matters, the power is, unless the contrary intention appears, to be taken to include a power to do that act or thing with respect to some only of those matters or with respect to a particular class or particular classes of those matters and to make different provision with respect to different matters or different classes of matters.
- (e) Where this constitution confers a power to make appointments to any office or position, the power is, unless the contrary intention appears, to be taken to include a power:
 - (i) to appoint a person to act in the office or position until a person is appointed to the office or position;
 - (ii) subject to any contract between the Company and the relevant person, to remove or suspend any person appointed, with or without cause; and
 - (iii) to appoint another person temporarily in the place of any person so removed or suspended or in place of any sick or absent holder of such office or position.
- (f) Where this constitution confers a power or imposes a duty then, unless the contrary intention appears, the power may be exercised and the duty must be performed from time to time as the occasion requires.
- (g) Where this constitution confers a power or imposes a duty on the holder of an office as such then, unless the contrary intention appears, the power may be exercised and the duty must be performed by the holder for the time being of the office.
- (h) Where this constitution confers power on a person or body to delegate a function or power:
 - (i) the delegation may be concurrent with, or to the exclusion of, the performance or exercise of that function or power by the person or body;
 - (ii) the delegation may be either general or limited in any manner provided in the terms of delegation;
 - (iii) the delegation need not be to a specified person but may be to any person from time to time holding, occupying or performing the duties of, a specified office or position;
 - (iv) the delegation may include the power to delegate;
 - (v) where the performance or exercise of that function or power is dependent upon the opinion, belief or state of mind of that person or body in relation to a matter, that function or power may be performed or exercised by the delegate upon the opinion, belief or state of mind of the delegate in relation to that matter; and

- (vi) the function or power so delegated, when performed or exercised by the delegate, is to be taken to have been performed or exercised by the person or body.

2.4 Replaceable rules not to apply

The replaceable rules applicable to a public Company contained in the Corporations Act from time to time do not apply to the Company.

Annexure 7
Notice of Scheme Meeting

Notice of Scheme Meeting

McGrath Limited ACN 608 153 779 (**McGrath**)

Notice is hereby given that, by an order of the Supreme Court of New South Wales made on Tuesday, 7 May 2024, pursuant to subsection 411(1) of the Corporations Act, a meeting of McGrath Shareholders (**Scheme Meeting**) will be held as follows:

Date: Tuesday, 11 June 2024

Time: 10.00am (Sydney time)

Venue: Level 2, 19 Harris Street, Pyrmont NSW 2009.

Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which McGrath and Bidder agree) proposed to be made between McGrath and McGrath Shareholders (the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

Additional information about the Scheme Meeting is set out in the explanatory notes that accompany and form part of this notice. Capitalised terms used but not defined in this notice have the defined meanings set out in section 11.1 of the Scheme Booklet, unless the context otherwise requires.

Scheme Resolution

The Scheme Meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution (**Scheme Resolution**):

‘That, pursuant to and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed between McGrath Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Supreme Court of New South Wales to which McGrath Limited and RPAA Holdings Pty Ltd agree.’

Scheme Meeting format

McGrath Shareholders and their authorised proxies, attorneys and corporate representatives may participate in the Scheme Meeting by attending in person at Level 2, 19 Harris Street, Pyrmont NSW 2009.

McGrath Shareholders who are unable to attend in person can view the Scheme Meeting via live webcast at <https://mcgrath.zoom.us/j/85330309798>. McGrath Shareholders watching online will be able to ask questions and make comments, but will be unable to vote via the webcast.

Further details on how to participate in the Scheme Meeting are set out in the explanatory notes that accompany and form part of this Notice of Scheme Meeting.

McGrath Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting in person are encouraged to submit a directed proxy vote as early as possible and in any event by 10.00am (Sydney time) on Sunday, 9 June 2024 by completing and submitting the proxy form in accordance with the instructions on that form.

Even if you plan to attend the Scheme Meeting we encourage you to submit a directed proxy vote so that your vote will be counted if for any reason you cannot attend the Scheme Meeting.

Dated 7 May 2024

By order of the Court and the McGrath Board.

sign here ► Melissa Jones
Company Secretary

print name Melissa Jones

Explanatory Notes

1 General

These explanatory notes relate to the Scheme and should be read in conjunction with the Scheme Booklet dated 7 May 2024 and the Notice of Scheme Meeting. These explanatory notes and the Scheme Booklet form part of the Notice of Scheme Meeting. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

A copy of the Scheme is set out in Annexure 2 of the Scheme Booklet.

Capitalised terms used but not defined in the Notice of Scheme Meeting have the defined meanings set out in section 11.1 of the Scheme Booklet, unless the context otherwise requires.

2 Chairperson

The Court has directed that Mr Peter Lewis is to act as chair of the Scheme Meeting and that if Mr Lewis is unable or willing to act, Mr Wayne Mo is to act as chair of the Scheme Meeting.

3 Required voting majorities

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Scheme Resolution must be approved by:

- unless the Court orders otherwise, a majority in number of McGrath Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate McGrath Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution at the Scheme Meeting by McGrath Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate McGrath Shareholders, body corporate representative).

4 Court approval

Under paragraph 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alteration or condition required by the Court) is subject to the approval of the Court. If the Scheme Resolution is passed by the Requisite Majorities and the other conditions to the Scheme (other than approval by the Court) are satisfied or waived (if capable of waiver) by the time required under the Scheme, McGrath intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

5 Entitlement to vote

The McGrath Board has determined that the time for determining eligibility to vote at the Scheme Meeting is 7.00pm (Sydney time) on Sunday, 9 June 2024. Only those McGrath Shareholders entered on the McGrath Share Register at that time will be entitled to participate in and vote at the meeting, either in person, by proxy or attorney, or in the case of a corporate McGrath Shareholder, by a body corporate representative. Share transfers registered after that time will be disregarded in determining voting entitlements at the Scheme Meeting. The remaining comments in these explanatory notes are addressed to McGrath Shareholders entitled to participate in and vote at the meeting.

6 Participation in the Scheme Meeting

6.1 Participating in person

Participants who intend to attend the Scheme Meeting are asked to arrive at the venue at least 30 minutes before the scheduled time for commencement of the meeting, so that either their shareholding can be checked against the McGrath Share Register, or any power of attorney or certificate of appointment of body corporate representative verified, and their attendance noted.

6.2 Updates

Please monitor McGrath's website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meeting.

6.3 Watching the webcast

McGrath Shareholders may watch a live webcast of the Scheme Meeting online at <https://mcgrath.zoom.us/j/85330309798>. McGrath Shareholders watching online will be able to ask questions and make comments, but will be unable to vote via the webcast.

7 How to vote

Voting at the Scheme Meeting will be conducted by poll.

If you are a McGrath Shareholder entitled to vote at the meeting, you may vote:

- **by attending the Scheme Meeting in person**, at Level 2, 19 Harris Street, Pyrmont NSW 2009;
- **by proxy**, by completing and submitting the proxy form that accompanied the Scheme Booklet. To be valid, your proxy appointment must be received by the McGrath Share Registry by 10.00am (Sydney time) on Sunday, 9 June 2024;
- **by attorney**, by appointing an attorney to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the McGrath Share Registry by 10.00am (Sydney time) on Sunday, 9 June 2024; or
- **by corporate representative**, in the case of a body corporate, appointing a body corporate representative to participate in and vote at the Scheme Meeting on your behalf, and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the Scheme Meeting in accordance with section 9.4 below.

8 Jointly held securities

If you hold McGrath Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote at the meeting, only the vote of the holder whose name appears first on the McGrath Share Register will be counted.

See also the comments in section 9.2 below regarding the appointment of a proxy by persons who jointly hold McGrath Shares.

9 Voting

9.1 Voting in person

Participants who are attending the Scheme Meeting in person may vote using the paper voting card provided at the meeting.

9.2 Voting by proxy

If you are unable to participate and vote at the Scheme Meeting, you may appoint an individual or a body corporate as a proxy to attend the meeting in person and vote.

A McGrath Shareholder entitled to participate in and vote at the Scheme Meeting may appoint a person to participate in and vote at the meeting as their proxy at any time between the date of this Notice of Scheme Meeting and 10.00am (Sydney time) on Sunday, 9 June 2024. Proxy forms received after this time will be invalid.

To appoint a proxy, you should complete and return the proxy form that accompanied this Scheme Booklet in accordance with the instructions on that form. Please refer to section 9.5 of this Notice of Scheme Meeting below for further details in relation to how to submit a proxy form.

The following applies to proxy appointments:

- each proxy will have the right to vote on the poll and also to ask questions at the meeting;
- a proxy need not be another McGrath Shareholder, and may be an individual or a body corporate. If a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative in accordance with sections 250D and 253B of the Corporations Act to exercise its powers as proxy at the Scheme Meeting;
- a McGrath Shareholder who is entitled to cast two or more votes at the Scheme Meeting may appoint one or two proxies. If you wish to appoint a second proxy, a second hard copy proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. Both proxy forms should be returned together in the same envelope. If you wish to appoint two proxies using hard copy proxy forms, you will need to obtain a second proxy form. You can obtain a second proxy form from the McGrath Share Registry on 1300 730 659. Where two proxies are appointed, each proxy should be appointed to represent a specified proportion of the McGrath Shareholder's voting rights. If a McGrath Shareholder appoints two proxies and the appointment does not specify the proportion or number of the McGrath Shareholder's votes, each proxy may exercise half of that McGrath Shareholder's votes with any fractions of votes disregarded; and
- if you hold McGrath Shares jointly with one or more other persons, in order for your proxy appointment to be valid, either McGrath Shareholder may sign the proxy form.

A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority.

If you have appointed a proxy and participate in and vote at the Scheme Meeting, the authority of your proxy to participate and vote, on your behalf, is automatically suspended. However, if you view the live webcast of the Scheme Meeting, you will not revoke your proxy appointment.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the McGrath Share Registry before the start of the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways in section 9.5 below.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on the Scheme Resolution, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chair of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not participate in the meeting, the chair of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The chair of the meeting intends to vote all available undirected proxies in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.

9.3 Voting by attorney

You may appoint an attorney to participate in and vote at the meeting on your behalf. Your attorney need not be another McGrath Shareholder. Each attorney will have the right to vote on the poll and also to ask questions at the Scheme Meeting.

The power of attorney appointing your attorney to participate in and vote at the meeting must be duly executed by you and specify your name, the company (that is, McGrath), and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be received by the McGrath Registry before 10.00am (Sydney time) on Sunday, 9 June 2024 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of ways specified for proxy forms in section 9.5 below.

A validly appointed attorney wishing to participate in and vote at the Scheme Meeting will need to register their attendance and identify themselves as an attorney on the day of the meeting in person at the registration desk at Level 2, 19 Harris Street, Pyrmont NSW 2009.

Attorneys must also bring with them, and hand in at the registration desk, a properly executed declaration of non-revocation of the power of attorney.

9.4 Voting by corporate representative

A body corporate that is a McGrath Shareholder, or that has been appointed as a proxy, must appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D and 253B of the Corporations Act. A form of 'Appointment of Corporate Representative' certificate may be obtained from the McGrath Share Registry or online from <https://investorcentre.linkgroup.com>. The certificate of appointment may set out restrictions on the representative's powers.

The certificate must be received the McGrath Share Registry prior to the Scheme Meeting. McGrath Shareholders may submit the certificate:

- via email, by sending it to vote@linkmarketservices.com.au; or
- in any of the ways specified for proxy forms in section 9.5 of this Notice of Scheme Meeting, except that a certificate of appointment of corporate representative cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the McGrath Share Registry.

9.5 How to submit a proxy form

To appoint a proxy, you should complete and submit the proxy form accompanying the Scheme Booklet in accordance with the instructions on that form.

To be effective, proxy appointments must be received by way of completed proxy forms by the McGrath Share Registry by 10.00am (Sydney time) on Sunday, 9 June 2024 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

a) **online:** at <https://investorcentre.linkgroup.com> and follow the prompts.

b) **by mobile device:**

If you have a smart phone, you can now lodge your vote via the voting link <https://investorcentre.linkgroup.com> or by scanning the QR code on the proxy form. To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

Log-in using the SRN/HIN and postcode for your shareholding.

c) **by post in the provided reply paid envelope to the McGrath Share Registry at the following address:**

McGrath Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

- d) **by hand delivery (during normal business hours) to the McGrath Share Registry at the following address:**

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

- e) **by fax to the McGrath Share Registry on:**

+61 2 9287 0309

Proxy forms received after this time will be invalid.

If a proxy form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been received by the McGrath Share Registry.

For more information concerning the appointment of proxies and ways to lodge the proxy form, please refer to the proxy form.

10 Questions

McGrath Shareholders will have a reasonable opportunity to ask questions during the Scheme Meeting.

McGrath Shareholders who prefer to register questions in advance of the Scheme Meeting are also invited to do so by submitting questions online at <https://investorcentre.linkgroup.com>.

The chair of the Scheme Meeting will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the Scheme Meeting. However, there may not be sufficient time available during the Scheme Meeting to address all of the questions raised. Please note that individual responses will not be sent to McGrath Shareholders.

Questions must be submitted to the McGrath Share Registry by 10.00am (Sydney time) on Sunday, 9 June 2024.

11 Advertisement

Where this Notice of Scheme Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone from ASX's website (www.asx.com.au) or from McGrath's website (www.mcgrath.com.au/investor-hub) or by contacting the McGrath Share Registry.

Corporate directory

Corporate directory

McGrath Limited

Suite 2.02, Level 2, 19 Harris Street
Pymont NSW 2009

Financial advisers

Yatsen Associates
Level 2, 63 Dixon Street
Haymarket NSW 2000

Monash Advisory
Level 2, 30-36 Bay Street
Double Bay NSW 2028

Legal adviser

Herbert Smith Freehills
Level 33, 161 Castlereagh Street
Sydney NSW 2000

Tax adviser

KPMG Tax
Level 38, Tower Three, International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Independent Expert

Lonergan Edwards & Associates Limited
Level 7, 64 Castlereagh Street
Sydney NSW 2000

McGrath Share Registry


Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

McGrath

Guiding you home

LODGE YOUR VOTE

 **ONLINE**
<https://investorcentre.linkgroup.com>

 **BY MAIL**
McGrath Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
Telephone: 1300 730 659 Overseas: +61 1300 730 659



X99999999999

This proxy form should be read in conjunction with the scheme booklet dated 7 May 2024 issued by McGrath Limited (**Scheme Booklet**). Words and expressions used in this proxy form have the same meaning given to them in the Scheme Booklet, unless the context requires otherwise.

PROXY FORM

I/We being a member(s) of McGrath Limited (the **Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Scheme Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Scheme Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Scheme Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **10:00am (Sydney time) on Tuesday, 11 June 2024 at Level 2, 19 Harris Street, Pyrmont NSW 2009** (the **Scheme Meeting**) and at any postponement or adjournment of the Scheme Meeting.

The Chair of the Scheme Meeting intends to vote undirected proxies in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Scheme Meeting.

Please read the voting instructions overleaf before marking any boxes with an

Scheme Resolution

For Against Abstain*

STEP 2

1 That, pursuant to and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed between McGrath Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Supreme Court of New South Wales to which McGrath Limited and RPAA Holdings Pty Ltd agree.



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3

MEA PRX2401A



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Scheme Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Scheme Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE SCHEME MEETING

Any directed proxies that are not voted on a poll at the Scheme Meeting will default to the Chair of the Scheme Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Scheme Meeting will be voted in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of McGrath Shareholders.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the Scheme Resolution. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Scheme Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry together with an original or certified copy of any authority under which the power of attorney was signed or executed. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Scheme Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be received at vote@linkmarketservices.com.au prior to admission in accordance with the Notice of Scheme Meeting. A form of the certificate may be obtained from the Company's share registry or online at <https://investorcentre.linkgroup.com>.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Sydney time) on Sunday, 9 June 2024**, being not later than 48 hours before the commencement of the Scheme Meeting. Any Proxy Form received after that time will not be valid for the scheduled Scheme Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

<https://investorcentre.linkgroup.com>

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link <https://investorcentre.linkgroup.com> into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

McGrath Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

*during business hours Monday to Friday (9:00am - 5:00pm)

**IF YOU WOULD LIKE TO PARTICIPATE IN AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

McGrath

McGrath Limited
ABN 61 608 153 779

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 730 659
From outside Australia: +61 1300 730 659
Facsimile: +61 2 9287 0303
ASX Code: MEA
Website: www.linkmarketservices.com.au



ID:

HIN/SRN: I999999999

**Election Date: 7:00pm (Sydney time)
on Monday, 3 June 2024**

ELECTION FORM

PLEASE FILL OUT AND RETURN THIS FORM, ONLY IF YOU WANT TO MAKE AN ELECTION

Capitalised terms used in this Election Form have the meaning given to them in the scheme booklet dated 7 May 2024 issued by McGrath Limited (**Scheme Booklet**).

If you do not make a valid Election and the Scheme is implemented, you will receive the All-Cash Alternative by default.

If you are a Scheme Shareholder (other than an Ineligible Foreign Shareholder), you may make an Election to receive either the All-Cash Alternative, the Rollco Scrip Alternative or a combination of both by:

(a) submitting an Election online at <https://events.miraql.com/mea-scheme>; or

(b) completing and returning this Election Form to the address overleaf.

For your Election to be valid, it must be submitted online or returned to the McGrath Share Registry by no later than the Election Deadline (being 7.00pm (Sydney time) on Monday, 3 June 2024).

A Election

Please mark "X" in one of the boxes below to make your Election to receive either the All-Cash Alternative, the Rollco Scrip Alternative or a combination of both in respect of all your Scheme Shares, on the terms and conditions contained in the Scheme Booklet.

1. **All-Cash Alternative** comprising \$0.60 cash for each of your Scheme Shares; or

2. **Rollco Scrip Alternative** comprising one fully paid ordinary share in RPAA Investments Limited for each of your Scheme Shares, subject to the Scaleback Arrangements and other conditions of the Scheme; or

3. **Combination of both** - If you wish to make an Election to receive a combination of both the All-Cash Alternative and Rollco Scrip Alternative, please indicate in the box below the percentage of your Scheme Shares being elected in respect of which you would like to receive the Rollco Scrip Alternative. You may elect to receive the Rollco Scrip Alternative in respect of up to 100% of your Scheme Shares, subject to the Scaleback Arrangements and other conditions of the Scheme. For the remaining Scheme Shares held, you will receive the All-Cash Alternative. The percentage specified must be a whole number. Any fractional entitlements calculated as a result of your Election will be rounded in accordance with section 4.4(b) of the Scheme Booklet.

%

B Contact Details

Please provide a daytime telephone number where we can contact you if we have any questions about this form.

Daytime telephone number

Contact name (PRINT)

C Shareholder Signature(s)

By signing and returning this Election Form, you confirm that you have read and understood the consequences of making an Election as detailed in the Scheme Booklet.

Shareholder 1

Individual or Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date

TO BE A VALID ELECTION FORM, THIS FORM MUST BE RECEIVED AT ONE OF THE ADDRESSES LISTED OVERLEAF BY NO LATER THAN 7:00PM (SYDNEY TIME) ON MONDAY, 3 JUNE 2024

MEA SSF001



How to complete your Election Form

If you do not understand the consequences of making an Election or if you have any doubts about what to do, please consult your financial or other professional advisor.

Signing Instructions

Joint holders – all holders must sign.

Power of Attorney – if not already noted by the McGrath Share Registry, a certified copy of the power of attorney must accompany this form. If this Election Form is signed under power of attorney, the attorney declares that they have no notice of revocation of that power.

Deceased Estate – all executors must sign and, if not already noted by the McGrath Share Registry, a certified copy of probate or letters of administration must accompany this form.

Company – this form must be signed by two directors or a director and the company secretary. For companies with a sole director and sole company secretary, a single signature only suffices. Titles of all signatories should be indicated and inapplicable titles be deleted.

Lodgement Instructions

Complete and return this Election Form so that it is received by the McGrath Share Registry by 7:00pm (Sydney time) on Monday, 3 June 2024. A reply paid envelope has been provided to you for these purposes. If you are returning your form by post, you must allow sufficient time for collection and delivery by postal services. The postal acceptance rule does not apply.

EMAIL

capitalmarkets@linkmarketservices.com.au

MAIL DELIVERY

McGrath Limited
C/-Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

HAND DELIVERY

Deliver during business hours (Monday to Friday, 9:00am – 5:00pm) to
Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

If you require information on how to complete your Election Form please contact the McGrath Shareholder Information Line on 1300 730 659 (within Australia) or +61 1300 730 659 (outside Australia), Monday to Friday, between 8:30am and 5:30pm (Sydney time), excluding public holidays.

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.