



ASX ANNOUNCEMENT

RELEASE OF EXPLANATORY BOOKLET

23 September 2016

PAYCE Consolidated Limited (ASX:PAY) (**PCL**) today announces that the Australian Securities and Investment Commission (**ASIC**) has registered the Explanatory Booklet in relation to the previously announced interdependent schemes of arrangement to be made between PCL and its shareholders:

1. Ordinary scheme of arrangement: under which Bellawest Pty Limited (**Bellawest**) will acquire all the ordinary shares in PCL other than those held by Bellawest and Lanox Pty Limited (**Lanox**) (**Ordinary Scheme**); and
2. Preference scheme of arrangement: under which PCL will undertake a selective reduction of capital and cancel all the preference shares in PCL issued pursuant to the offer document dated 4 May 2015 (**Preference Scheme**).

The Federal Court of Australia has approved despatch of the Explanatory Booklet to PCL shareholders and the convening of meetings to consider and, if thought fit, agree to the Ordinary Scheme and the Preference Scheme (together the **Schemes**).

The Independent Expert, Grant Thornton Corporate Finance, has concluded that the Schemes are fair and reasonable and hence in the best interests of shareholders (other than non-participating Shareholders).

The independent directors of PCL unanimously recommend that, in the absence of a superior proposal, shareholders vote in favour of the Schemes and all other resolutions at the General Meeting and the Preference General Meeting as relevant to them.

A copy of the Explanatory Booklet, including the Independent Expert's Report, lodged with ASIC is attached to this announcement. Printed copies of the full Explanatory Booklet will be mailed to shareholders in the coming days. Shareholders should read the Explanatory Booklet in its entirety before making a decision on how to vote on the resolutions to be considered at the Scheme Meetings and the related General Meeting and Preference General Meeting.

Shareholder Meetings

The Ordinary Scheme Meeting will be held on 31 October 2016 at 10:30am.

The General Meeting will be held on 31 October 2016 at 10:45am.

The Preference Scheme Meeting will be held on 31 October 2016 at 11:00am.

The Preference General Meeting will be held on 31 October 2016 at 11:15am.

Further Information

For all Media Enquiries, please contact Mark Sutton on 0407 918 836

Explanatory Booklet

For schemes of arrangement between PAYCE Consolidated Limited (ASX:PAY) and its ordinary shareholders and preference shareholders in relation to the proposed acquisition by Bellawest Pty Limited of PCL



THE INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND, IN THE ABSENCE OF A SUPERIOR PROPOSAL, THAT YOU

VOTE IN FAVOUR

OF ALL TRANSACTION RESOLUTIONS

The Ordinary Scheme Meeting will commence at 10.30am on 31 October 2016, and the General Meeting will commence at 10.45am, or as soon as reasonably practicable after the conclusion of the Ordinary Scheme Meeting, at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127.

Thereafter, the Preference Scheme Meeting will commence at 11.00am on 31 October 2016 or as soon as reasonably practicable after the conclusion of the General Meeting and the Preference General Meeting will commence at 11.15am, or as soon as reasonably practicable after the conclusion of the Preference Scheme Meeting, at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127.

This document is important and requires your immediate attention. You should read the document before you decide whether to vote in favour of the Transaction Resolutions. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser.

Important dates and times

Latest time and date for online voting, receipt of Proxy Forms, powers of attorney or certificates of appointment of body corporate representative by the Registry for:

1.	Ordinary Scheme Meeting (blue proxy form)	10.30am on Saturday, 29 October 2016
2.	General Meeting (yellow proxy form)	10.45am on Saturday, 29 October 2016
3.	Preference Scheme Meeting (green proxy form)	11.00am on Saturday, 29 October 2016
4.	Preference General Meeting (purple proxy form)	11.15am on Saturday, 29 October 2016

Time and date for determining eligibility to vote (Voting Entitlement form)	7.00pm on Saturday, 29 October 2016
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Meetings to be held at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127

1.	Ordinary Scheme Meeting	10.30am on Monday, 31 October 2016
2.	General Meeting	10.45am on Monday, 31 October 2016
3.	Preference Scheme Meeting	11.00am on Monday, 31 October 2016
4.	Preference General Meeting	11.15am on Monday, 31 October 2016

If the Transaction Resolutions are approved by the Requisite Majorities

Second Court Hearing (to obtain orders approving the Ordinary Scheme and the Preference Scheme)	Thursday, 3 November 2016
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Court order lodged with ASIC (Effective Date)	Thursday, 3 November 2016
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Suspension of trading in Ordinary Shares on the ASX	Close of trading on Thursday, 3 November 2016
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Record Date (for determining entitlements to the Scheme Consideration)	Friday, 11 November 2016
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Election Time (deadline for Ordinary Scheme Shareholders)	5.00pm on Wednesday, 16 November 2016
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Preference Scheme Implementation Date	Tuesday, 22 November 2016
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- cancellation of Preference Shares
- cash component of the Preference Scheme Consideration dispatched by electronic funds transfer or cheque
- PCL Notes issued

Ordinary Scheme Implementation Date

Friday, 25 November 2016

- transfer of Ordinary Shares to Bellawest
 - cash component of the Ordinary Scheme Consideration
dispatched by electronic funds transfer or cheque
 - Bellawest Notes issued
-

All stated dates and times are the times in Sydney, New South Wales and are indicative only. PCL may vary any or all of these dates and times and will provide reasonable notice of any such variation. Any changes to the above timetable will be announced to ASX and will be available at www.payce.com.au or under PCL's profile on ASX at www.asx.com.au.

What is this booklet for?

This Explanatory Booklet has been sent to you to help you understand the terms of two proposed schemes of arrangement pursuant to which, if approved:

- Bellawest (an entity associated with Brian Boyd) will acquire all of the Ordinary Shares (other than those held by Bellawest and Lanox); and
- PCL will undertake a selective reduction of capital in which all of the Preference Shares will be cancelled,

(referred to in this Explanatory Booklet as the **Scheme Proposal**).

The Scheme Proposal is subject to Voting Shareholders approving the Ordinary Scheme at the Ordinary Scheme Meeting and the Preference Scheme at the Preference Scheme Meeting, so this Explanatory Booklet includes information relevant to a decision whether to approve the Ordinary Scheme Resolution and Preference Scheme Resolution.

The implementation of the Ordinary Scheme and the Preference Scheme are inter-conditional and are also conditional on Voting Shareholders passing:

- the Financial Assistance Resolution and Capital Reduction Resolution to be put to Voting Shareholders at the General Meeting; and
- the Cancellation Resolution to be put to Voting Shareholders at the Preference General Meeting.

This Explanatory Booklet therefore also contains information to help you understand the terms of the Financial Assistance Resolution, the Capital Reduction Resolution and the Cancellation Resolution.

What should you do next?

Read this booklet and the accompanying Notices of Meetings carefully

The two Schemes are inter-conditional so it is important that you consider both Schemes even if you only hold Ordinary Shares or only hold Preference Shares. To assist you, following is a guide to the sections most relevant to each type of Shareholder:

- All Shareholders: sections 1-3, 10-14 and 17-20
- Ordinary Shareholders: sections 4-6 and 15
- Preference Shareholders: sections 7-9 and 16.

If you have any questions, consult your broker, financial, legal or other professional adviser.

Vote

The Schemes are of importance to all Shareholders and therefore you are urged to consider and vote on the Transaction Resolutions. You can vote:

- in person;
- by proxy, using the provided forms;
- by representative or attorney.

For further details, please refer to section 5 'Meeting and voting information for the Ordinary Scheme and General Meeting' if you are an Ordinary Shareholder and section 8 'Meeting and voting information for the Preference Scheme and related Transaction Resolutions' if you are a Preference Shareholder.

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Important notices

This Explanatory Booklet is important. You should carefully read this Explanatory Booklet in its entirety before making a decision about how to vote on the resolutions applicable to you to be considered at the Transaction Meetings.

Date of this Explanatory Booklet

This Explanatory Booklet is dated 23 September 2016.

Defined terms and interpretation

Capitalised terms used in this Explanatory Booklet are defined in the Glossary at the end of this Explanatory Booklet. The Glossary also sets out some rules of interpretation which apply to this Explanatory Booklet. Some of the documents reproduced in the annexures to this Explanatory Booklet have their own defined terms, which are sometimes different to those set out in the Glossary.

Nature of this Explanatory Booklet

This Explanatory Booklet includes the explanatory statement for each Scheme required by section 412(1) of the Corporations Act. The purpose of this Explanatory Booklet is to explain the terms of the Schemes and the manner in which they will be implemented (if approved) and to provide information material to your decision whether to vote in favour of the Schemes.

This Explanatory Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Section 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 section 411(1). Instead, shareholders asked to vote on an arrangement at such a meeting must be provided with an explanatory statement as referred to above.

No investment advice

The information and recommendations contained in this document do not constitute financial product advice and have been prepared without reference to your own personal investment objectives, financial situation, taxation position and particular needs. The information in this document should not be relied upon as the sole basis for any investment decision in relation to the Schemes or your Shares. The Independent Directors encourage you to seek independent financial and taxation advice before making any investment decision in relation to the Schemes or your Shares, including any decision to vote in favour or against the Transaction Resolutions. If you are in any doubt about what you should do, please consult your broker, legal adviser or financial adviser immediately.

Responsibility for information

The PCL Information has been prepared by PCL and is the responsibility of PCL. Neither Bellawest, Lanox, Ruz nor any of their Related Bodies Corporate or the directors, officers, employees or advisers of any of those entities assume any responsibility for such information.

The Bellawest Information has been prepared by Bellawest and is the responsibility of Bellawest. Neither PCL nor its Related Bodies Corporate or the directors, officers, employees or advisers of any of those entities assume any responsibility for such information.

Grant Thornton has prepared, and is responsible for, the Independent Expert's Report contained in Annexure A of this Explanatory Booklet. None of PCL, Bellawest, their respective Related Bodies Corporate or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

Role of ASIC, ASX, and the Court

A copy of this Explanatory Booklet has been given to ASIC for examination for the purpose of section 411(2) of the Corporations Act and was lodged with ASIC for the purpose of registration under section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Schemes. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Date. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire process in relation to the Schemes. Neither ASIC nor any of its officers take any responsibility for the contents of this Explanatory Booklet.

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

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

A copy of this Explanatory Booklet has been submitted to the Court to obtain an order of the Court approving the convening of the Ordinary Scheme Meeting and Preference Scheme Meeting.

The fact that under section 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 Ordinary Scheme Meeting and Notice of Preference Scheme Meeting does not mean that the Court:

- | | |
|-----|--|
| (a) | has formed any view as to the merits of the proposed Schemes or as to how you should vote (on this matter, you must reach your own decision); or |
| (b) | has prepared, or is responsible for the content of, the explanatory statement. |

Notice to foreign Shareholders

The release, publication or distribution of this document in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons outside Australia who come into possession of this document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This document complies with disclosure requirements in Australia and Australian law, which may be different to those requirements and laws in other countries outside of Australia.

This Explanatory Booklet and the Schemes do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Forward looking statements

This Explanatory Booklet contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. Shareholders should note that such statements are subject to inherent risks and uncertainties as they may be affected by a variety of known and unknown risks, assumptions, variable and other factors, many of which are beyond the control of PCL or Bellawest. Actual results, values, performance or achievement may differ materially from results, values, performance or achievement expressed or implied from any forward looking statement. None of PCL, Bellawest nor any of their Related Bodies Corporate or the directors, officers, employees or advisers of those entities or any other person named in this Explanatory Booklet or any person involved in the preparation of this Explanatory Booklet makes any representation or warranty (express or implied) as to the accuracy or the likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievement expressed or implied by any forward looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement. The forward looking statements in this Explanatory Booklet only reflect views held as at the date of this Explanatory Booklet.

Diagrams and rounding

Any diagrams, charts, maps, graphs and tables appearing in this Explanatory Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Explanatory Booklet. In addition, any numerical information may not add up due to rounding.

Privacy and personal information

PCL, Bellawest and the Registry may collect personal information in the process of implementing the Schemes. The personal information they may collect about you includes your name, contact details and details of your PCL shareholding, and the names of individuals appointed by you to act as a proxy, corporate representative or attorney at the Transaction Meetings. The collection of some of this information is required or authorised by the Corporations Act.

The information may be disclosed to print and mail service providers, and to PCL and Bellawest and their respective advisors and agents to the extent necessary to effect the Schemes. If the information outlined above is not collected, PCL may be hindered in, or prevented from, conducting the Transaction Meetings or implementing the Schemes effectively, or at all.

Shareholders who appoint an individual as their proxy, body corporate representative or attorney to vote at the any Transaction Meeting should inform that individual of the matters outlined above.

Letter from the Independent Directors

23 September 2016

Dear Shareholders

As you may be aware, on 1 July 2016 and 26 August 2016 the Independent Directors announced that PCL had entered into, and then amended and restated, a Scheme Implementation Deed pursuant to which it is proposed that Bellawest (an entity associated with Brian Boyd) will acquire all of the ordinary shares in PCL (other than those held by Non-Participating Shareholders), and PCL will cancel all of the preference shares in PCL, subject to various conditions including court approval and the Shareholders (other than the Bellawest Associates) approving the Schemes and Transaction Resolutions by the Requisite Majorities.

Consideration

If the Schemes are implemented, Ordinary Scheme Shareholders will be entitled to receive for each Ordinary Share held on the Record Date, \$12.60 cash or one Bellawest Note, being an unsecured note issued by Bellawest, with a face value of \$12.60 per note and attaching coupon of 6.5% per annum with a maturity date of 2 years after issue. Each Ordinary Shareholder will be given the right to elect the amount of the Ordinary Scheme Consideration (which may be none, some or all) to be satisfied by way of issue of Bellawest Notes. Ineligible Foreign Shareholders and other Ordinary Shareholders who fail to make a valid election will receive cash.

If the Schemes are implemented, Preference Scheme Shareholders will be entitled to receive, for each Preference Share held on the Record Date, \$1.00, plus the pro-rata amount of any dividend accrued and unpaid on the Preference Share up to the date of implementation plus one PCL Note, being an unsecured note issued by PCL with a face value of \$6.50 per note and attaching coupon of 7.5% per annum with a maturity date of 4 years after issue. The proportion of PCL Notes to cash is fixed under the Preference Scheme, meaning that there is no right to elect a different proportion. Ineligible Foreign Shareholders will not be issued PCL Notes and will receive a cash equivalent of the Preference Scheme Consideration.

Independent Directors' recommendation

The Independent Directors have assessed the historical financial performance, growth prospects and future performance potential of PCL and have had regard to the advantages and disadvantages of the Transaction set out in sections 1, 6 and 9 of this Explanatory Booklet.

The Independent Directors believe that the Schemes are in the best interests of Scheme Shareholders and, in the absence of a Superior Proposal, unanimously recommend that you vote in favour of all resolutions required to implement the Schemes at the Transaction Meetings, including the Transaction Resolutions applicable to you. In making this recommendation the Independent Directors note the following:

Ordinary Shares

- **Premium to market price:** the \$12.60 cash per share that Ordinary Shareholders will receive if the Schemes are implemented represents a premium of:
 - 80% to the VWAP for Ordinary Shares over the month prior to 30 June 2016 (being the day before the Ordinary Scheme was first announced);
 - 80% to the VWAP for Ordinary Shares over the 3 months prior to 30 June 2016; and
 - 80% to the VWAP for Ordinary Shares over the 6 months prior to 30 June 2016.
- **Independent Expert's opinion:** the Independent Expert has valued each Ordinary Share in the range of \$10.53 - \$12.82. Accordingly, the Independent Expert has opined that the Ordinary

Scheme is fair and reasonable and hence in the best interests of Ordinary Scheme Shareholders. Whilst the Independent Expert has concluded that the value of a Bellawest Note is substantially equivalent to the cash consideration of \$12.60 and, therefore, fair to Ordinary Scheme Shareholders, the Independent Directors note that the Independent Expert also recommends that Ordinary Scheme Shareholders carefully consider the disadvantages of electing Bellawest Notes and, if in doubt, to elect the cash consideration.

- **Liquidity:** historically Ordinary Shares have been thinly traded and Ordinary Shareholders, particularly large holders, may have had difficulty selling their shares on a timely basis. The Transaction provides an opportunity for Ordinary Shareholders to sell their Ordinary Shares at a significant premium to the share price prior to the announcement of the Transaction.
- **Flexibility:** the Ordinary Scheme offers Ordinary Shareholders flexibility as to the type of Ordinary Scheme Consideration: cash, Bellawest Notes or a combination of cash and Bellawest Notes.
- **Certainty of cash:** for Ordinary Shareholders who choose to receive cash consideration, the consideration delivers a fixed cash payment for the relevant Ordinary Shares.
- **Fixed return of Bellawest Notes:** for Ordinary Shareholders who opt to receive some or all Bellawest Notes as Ordinary Scheme Consideration, the Bellawest Notes provide a fixed face value and fixed rate of return.

Preference Shares

- **Independent Expert's opinion:** the Independent Expert has assessed that the fair market value of each Preference Share is \$7.50. Accordingly, the Independent Expert has opined that the Preference Scheme is fair and reasonable and hence in the best interests of Preference Scheme Shareholders. Whilst the Independent Expert has assessed that the fair market value of the Preference Shares is consistent with their face value of \$7.50, and as such no premium is being offered as part of the Preference Scheme Consideration, the Independent Directors note that it makes this assessment on the assumption that the Preference Shares have an indefinite life.
- **Fixed redemption date and increased certainty of redemption:** It is uncertain whether and when PCL will exercise its call option to purchase or buy-back the Preference Shares meaning that the Preference Shares could be perpetual and have no maturity date. In contrast, the Transaction provides Preference Shareholders with a cash payment and the PCL Notes which have a fixed redemption date.
- **Fixed return of PCL Notes:** Dividends may not be paid on the Preference Shares or, if declared, may be paid in the form of additional Preference Shares rather than cash. In contrast, the PCL Notes provide a fixed rate of return.

Roger Short (being the only Independent Director with an interest in any Shares) will vote in favour of all Transaction Resolutions (aside from the Capital Reduction Resolution on which he will abstain from voting), in the absence of a Superior Proposal. No other Independent Director has a relevant interest in any Shares.

The total cash equivalent of the Ordinary Scheme Consideration is \$139,016,152.80 and the total cash equivalent of the Preference Scheme Consideration is \$75,590,568.49 (assuming the maximum additional cash payment in respect of accrued dividends (see section 7.2 for further details)).

Meetings

The following Transaction Meetings will be held:

- the Ordinary Scheme Meeting will be held at which Ordinary Shareholders (other than the Bellawest Associates) will vote on the Ordinary Scheme;

- the General Meeting at which Ordinary Shareholders (other than the Bellawest Associates) will vote on the Financial Assistance Resolution and all Shareholders (other than the Bellawest Associates) will vote on the Capital Reduction Resolution (but any votes in favour of the resolution by Preference Shareholders and their Associates will be disregarded);
- the Preference Scheme Meeting at which Preference Shareholders (other than the Bellawest Associates) will vote on the Preference Scheme; and
- the Preference General Meeting at which Preference Shareholders (other than the Bellawest Associates) will vote on the Cancellation Resolution.

The Schemes are inter-conditional and also conditional on all Transaction Resolutions being passed at the Transaction Meetings by the Requisite Majorities.

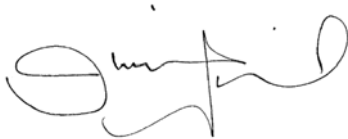
All Transaction Meetings will be held on 31 October 2016 at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127, with the Ordinary Scheme Meeting commencing at 10.30am, the General Meeting commencing 10.45am, or as soon as reasonably practicable after the conclusion or adjournment of the Ordinary Scheme Meeting, the Preference Scheme Meeting commencing at 11.00am or as soon as reasonably practicable after the conclusion or adjournment of the General Meeting and finally the Preference General Meeting commencing at 11.15am, or as soon as reasonably practicable after the conclusion of adjournment of the Preference Scheme Meeting.

Your vote at these meetings is important.

Additional Information

We encourage you to read this document. If you have any questions in relation to the Schemes or the Transaction Resolutions, please contact your legal, financial, taxation or other professional adviser.

Yours sincerely



Chris Gabriel
For and on behalf of the Independent Directors

1. Summary of the key reasons to vote in favour of or against the Transaction Resolutions

You should read the entire Explanatory Booklet before deciding whether or not to vote in favour of the Transaction Resolutions applicable to you.

The Independent Directors unanimously recommend that, in the absence of a Superior Proposal, Voting Shareholders vote in favour of the Transaction Resolutions for the following key reasons:

Ordinary Scheme

- ✓ The Independent Expert has concluded that the Ordinary Scheme is fair and reasonable and hence in the best interests of Ordinary Scheme Shareholders
- ✓ The Ordinary Scheme Consideration represents an attractive premium to the pre-announcement trading prices of Ordinary Shares
- ✓ The Ordinary Scheme provides Ordinary Scheme Shareholders with an opportunity to realise a return on their investment in an otherwise comparatively illiquid market
- ✓ The Ordinary Scheme Consideration provides flexibility for Ordinary Shareholders
- ✓ Bellawest Notes have a fixed face value and provide a fixed rate of return
- ✓ Since the announcement of the proposed Ordinary Scheme on 1 July 2016, no Competing Proposal has emerged
- ✓ If the Ordinary Scheme is not implemented and no alternative proposal emerges, the Ordinary Share price may return to pre-Scheme announcement levels, and you will continue to be subject to the risks associated with owning Ordinary Shares

Preference Scheme

- ✓ The Independent Expert has concluded that the Preference Scheme is fair and reasonable and hence in the best interests of Preference Scheme Shareholders
- ✓ The Preference Scheme provides Preference Scheme Shareholders with an opportunity to realise a return on their investment in circumstances where the Preference Shares are not listed on a trading exchange
- ✓ PCL Notes have a fixed face value and provide a fixed rate of return
- ✓ The Preference Scheme provides Preference Scheme Shareholders with a combination of cash and, with the PCL Notes, a fixed date upon which the balance of their capital investment will be paid
- ✓ The Preference Scheme provides a fixed rate of return compared to the uncertainty of when or if PCL will exercise the call option over the Preference Shares
- ✓ Since the announcement of the proposed Preference Scheme on 26 August 2016, no Competing Proposal has emerged

Although the Schemes are recommended by the Independent Directors in the absence of a Superior Proposal, and the Independent Expert has concluded that the Ordinary Scheme and the Preference

Scheme are fair and reasonable and hence in the best interests of Ordinary Scheme Shareholders and Preference Scheme Shareholders respectively, there may be factors that lead you to vote against the Transaction Resolutions, including those set out below:

- ✕ You may disagree with the Independent Directors' unanimous recommendation or the Independent Expert's conclusion
- ✕ You may want to remain an equity investor in PCL and for PCL to remain as a listed company (noting that if the Schemes are implemented both Bellawest and PCL will be private unlisted companies)
- ✕ Preference Shareholders are not given an election with respect to the consideration offered in respect of the Preference Scheme and, therefore, must take some consideration as PCL Notes. You may consider that the risks associated with holding PCL Notes outweigh the potential benefits of the Schemes
- ✕ The proposal is subject to various conditions that you may consider to be inappropriate, including the funding arrangements
- ✕ The tax consequences of the Schemes may not suit your current financial circumstances

For further details of the potential reasons to vote for or against the Schemes, see section 6 (in relation to the Ordinary Scheme) and section 9 (in relation to the Preference Scheme) of this Explanatory Booklet.

2. Frequently asked questions

The following tables provide brief answers to questions you may have in relation to your shareholding in PCL and the Transaction. The information contained in the tables below is a summary only and you are urged to read the sections of this Explanatory Booklet relevant to you in their entirety.

For ease of reference the tables have been divided into three sections; one which is relevant for all Shareholders (section 2.1), and one each for the Ordinary Scheme (section 2.2) and the Preference Scheme (section 2.3).

2.1 All Shareholders

FREQUENTLY ASKED QUESTIONS FOR ALL SHAREHOLDERS		
Question	Answer	Further details
BACKGROUND		
What is the Ordinary Scheme?	The Ordinary Scheme is a legal mechanism pursuant to which PCL is asking Voting Shareholders to consider and vote on a proposal to transfer all Ordinary Shares (other than those held by the Non-Participating Shareholders) to Bellawest in exchange for Bellawest providing the Ordinary Scheme Consideration.	Sections 2.2, 17.2 and 18 Annexure B
What is the Preference Scheme?	The Preference Scheme is a legal mechanism pursuant to which PCL is asking Voting Shareholders to consider and vote on a proposal to undertake a selective capital reduction and cancel all Preference Shares in exchange for PCL providing the Preference Scheme Consideration.	Sections 2.3, 17.2 and 18 Annexure E
What will be the effect of the Schemes if they are implemented?	Ordinary Scheme Shareholders will transfer all Ordinary Shares held on the Record Date to Bellawest in exchange for the Ordinary Scheme Consideration. All Preference Shares will be cancelled in consideration for the Preference Scheme Consideration. PCL will become wholly owned by Bellawest (who will acquire the Ordinary Scheme Shares) and Lanox.	Sections 4 and 17 Annexure B Sections 7 and 17 Annexure E
Does the Ordinary Scheme apply to Preference Shares or vice versa?	No, the Ordinary Scheme only pertains to the Ordinary Shares. Conversely the Preference Scheme only applies in respect of the Preference Shares. But the Schemes are inter-conditional (see following question).	Section 17
Are the Schemes inter-conditional?	Yes, the Schemes and all Transaction Resolutions are inter-conditional, meaning that if any Scheme or Transaction Resolution is not approved, both the Schemes will not become Effective.	Section 17
Who is Bellawest?	Bellawest is a company associated with Brian Boyd and the other Bellawest Associates (Lanox and Ruz). As at the date of this Explanatory Booklet, Brian Boyd, through these entities, has a Relevant Interest in 49.93% of PCL.	Section 11

FREQUENTLY ASKED QUESTIONS FOR ALL SHAREHOLDERS

Question	Answer	Further details
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RECOMMENDATIONS

What is the Independent Directors' recommendation?	The Independent Directors recommend that, in the absence of a Superior Proposal, you vote in favour of all Transaction Resolutions at the Transaction Meetings applicable to you.	Section 6.2
Why has Brian Boyd abstained from making a recommendation?	Brian Boyd has abstained from making a director's recommendation on the Transaction Resolutions as he has a personal interest in the Schemes and the Transaction Resolutions as a result of his Control of Bellawest.	Section 11
How do the Independent Directors intend to vote in respect of their own Ordinary Shares?	Roger Short has a relevant interest in 35,000 Ordinary Shares and 30,000 Preference Shares, the legal holder of which is Jurocorp Pty Limited (ACN 010 630 985). Roger Short intends to vote, or procure the voting of, all Shares controlled by him at the time of the Transaction Meetings in favour of all Transaction Resolutions (aside from the Capital Reduction Resolution on which he will abstain from voting), in the absence of a Superior Proposal. Chris Gabriel does not have a relevant interest in any Shares.	Sections 6.2 and 9.2
What is the opinion of the Independent Expert?	Grant Thornton has concluded that: <ul style="list-style-type: none"> the Ordinary Scheme is fair and reasonable and hence in the best interests of Ordinary Scheme Shareholders; and the Preference Scheme is both fair and reasonable and in the best interest of Preference Scheme Shareholders. The Independent Expert's Report is set out in Annexure A of this Explanatory Booklet.	Annexure A

TRANSACTION

What are the conditions of the Schemes?	The Schemes are subject to a number of conditions which are set out in full in section 18.1. These conditions are (in summary): <ul style="list-style-type: none"> the Court approving the Schemes; relevant Shareholders (excluding the Bellawest Associates) approving the: <ul style="list-style-type: none"> Ordinary Scheme; Financial Assistance; Capital Reduction Resolution; Preference Scheme; and the Cancellation Resolution; 	Section 18.1
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FREQUENTLY ASKED QUESTIONS FOR ALL SHAREHOLDERS

Question	Answer	Further details
	<ul style="list-style-type: none"> no Prescribed Occurrences occurring in relation to the PCL Group; all necessary regulatory approvals for the Schemes being provided; and no legal restraints or prohibitions from a Court or a Government Agency in effect on the Second Court Date. 	

What are the tax implications of the Schemes?	<p>The taxation implications of the Schemes will depend on your personal circumstances.</p> <p>Further details in relation to tax considerations can be found in section 14. However, as the outline in section 14 is general in nature and does not take into account your specific circumstances, you should consult your taxation adviser for taxation advice before making a decision as to whether or not to vote in favour of the Schemes and other Transaction Resolutions.</p>	Section 14
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VOTING

What meetings are being held? When and where will they be held?	<p>There are four meetings comprising the Transaction Meetings:</p> <ul style="list-style-type: none"> the Ordinary Scheme Meeting; the General Meeting; the Preference Scheme Meeting; and the Preference General Meeting. 	<p>Section 5</p> <p>Annexure G and Annexure H</p> <p>Section 8</p> <p>Annexure I and Annexure J</p>
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Each Transaction Meeting will be held at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127 on 31 October 2016, commencing with the Ordinary Scheme Meeting at 10.30am. The meetings will be held consecutively.

Will any of the entities Associated with Brian Boyd vote on the Schemes and the Transaction Resolutions?	No. The Bellawest Associates, including Ruz, are excluded from voting on either Scheme or the Transaction Resolutions.	Section 11.6(a)
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How do I vote?	<p>Shareholders can vote:</p> <ul style="list-style-type: none"> by proxy, using the provided forms; in person, by attending, as appropriate: <ul style="list-style-type: none"> the Ordinary Scheme Meeting to be held on 31 October 2016 at 10.30am at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127; the General Meeting to be held on 31 October 2016 at 10.45am, or as soon as reasonably 	<p>Section 5</p> <p>Annexure G and Annexure H</p> <p>Section 8</p> <p>Annexure I and Annexure J</p>
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FREQUENTLY ASKED QUESTIONS FOR ALL SHAREHOLDERS

Question	Answer	Further details
	<p>practicable after the conclusion of the Ordinary Scheme Meeting at the same location;</p> <ul style="list-style-type: none"> the Preference Scheme Meeting to be held on 31 October 2016 at 11.00am or as soon as reasonably practicable after the conclusion of the General Meeting at the same location; and the Preference General Meeting to be held on 31 October 2016 at 11.15am, or as soon as reasonably practicable after the conclusion of the Preference Scheme Meeting at the same location; <p>If you vote by proxy, your proxy form must be received by Boardroom (whether by hand, internet, mail or fax) at least 48 hours prior to the relevant meeting for your vote to be counted. For further details, please refer to section 5 'Meeting and voting information for the Ordinary Scheme and General Meeting' and section 8 'Meeting and voting information for the Preference Scheme and related Transaction Resolutions' as appropriate.</p>	
Is voting compulsory?	No, voting is not compulsory. However, your vote is important. If you cannot attend the meetings and you wish to vote, you may be entitled to vote by proxy, corporate representative or attorney. Proxy Forms are enclosed with this Explanatory Booklet.	<p>Section 5</p> <p>Annexure G and Annexure H</p> <p>Section 8</p> <p>Annexure I and Annexure J</p>
What happens if I do not vote or vote against the Schemes?	<p>If the Schemes are approved by the Requisite Majorities and the Court and all other conditions are satisfied or waived:</p> <ul style="list-style-type: none"> the Schemes will bind all Scheme Shareholders, including those who vote against the Schemes and those who did not vote; all Ordinary Scheme Shareholders will have their Ordinary Shares transferred to Bellawest and will receive the Ordinary Scheme Consideration; and all Preference Scheme Shareholders will have their Preference Shares cancelled in exchange for the Preference Scheme Consideration. 	<p>Section 6.5</p> <p>Annexure B</p> <p>Section 9.4(c)</p> <p>Annexure E</p>

FREQUENTLY ASKED QUESTIONS FOR ALL SHAREHOLDERS

Question	Answer	Further details
What happens if the Schemes are not approved?	<p>If the Schemes are not approved by the Requisite Majorities and the Court, the Schemes will not be implemented.</p> <p>The consequences of the Schemes not being implemented include:</p> <ul style="list-style-type: none">• you will retain your Shares, you will not be entitled to the Scheme Consideration, and you will continue to be exposed to the risks, and receive the benefits, associated with your investment in Shares;• the existing PCL Board and management will continue to operate PCL's business; and• PCL may be entitled to a reimbursement of the costs of the proposed scheme (\$350,000) from Bellawest.	<p>Sections 6.5(b) and 9.5(a)</p> <p>Section 18</p>

2.2 Ordinary Scheme

FREQUENTLY ASKED QUESTIONS ABOUT THE ORDINARY SCHEME

Question	Answer	Further details
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BACKGROUND

What is the Ordinary Scheme?	The Ordinary Scheme is a legal mechanism pursuant to which PCL is asking Voting Shareholders to consider and vote on a proposal to transfer all Ordinary Shares (other than those held by the Non-Participating Shareholders) to Bellawest in exchange for Bellawest providing the Ordinary Scheme Consideration.	Sections 4, 17.2 and 18 Annexure B
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YOUR ENTITLEMENTS

Will I be entitled to participate in the Ordinary Scheme?	<p>Yes, provided:</p> <ul style="list-style-type: none"> all approvals and conditions for the Schemes are satisfied or waived (as applicable); and you are registered as a holder of Ordinary Shares on the Record Date (expected to be 11 November 2016). 	Definition of Ordinary Scheme Shareholder
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What will I receive if the Schemes are implemented?	<p>If the Schemes are approved and implemented, Ordinary Shareholders will be entitled to receive either \$12.60 cash or one Bellawest Note for each Ordinary Share you hold on the Record Date.</p> <p>Ordinary Scheme Shareholders will be given the opportunity to elect to receive some, none or all of their Ordinary Scheme Consideration in Bellawest Notes with the balance (if any) of the Ordinary Scheme Consideration being paid in cash. Ordinary Shareholders who do not make an election will receive cash as the entirety of their Ordinary Scheme Consideration.</p> <p>Ineligible Foreign Shareholders will not be entitled to elect to receive Bellawest Notes and will receive cash as the entirety of their Ordinary Scheme Consideration.</p>	Section 4.2
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What are the Bellawest Notes?	<p>Bellawest is offering Ordinary Scheme Shareholders the opportunity to be issued unsecured notes as part or all of their Ordinary Scheme Consideration. The Bellawest Notes will be issued by Bellawest with a face value of \$12.60 and an interest rate of 6.5% per annum.</p> <p>The terms of the Bellawest Notes provide that they will be redeemed by Bellawest on or before the date 2 years from the date of issue.</p> <p>The Bellawest Notes will be transferrable, but will not be quoted on the ASX.</p>	Sections 4.3, 0 and 19.1 Annexure D
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FREQUENTLY ASKED QUESTIONS ABOUT THE ORDINARY SCHEME

Question	Answer	Further details
If I am an Ordinary Shareholder, should I elect Bellawest Notes or cash?	<p>This will depend on your particular financial circumstances and your investment objectives.</p> <p>If you are considering electing Bellawest Notes for some or all of the Ordinary Scheme Consideration, you should have particular regard to the:</p> <ul style="list-style-type: none"> • summary of the terms of the Bellawest Notes in section 4.3; • Taxation considerations in section 14 • Investment risks for Bellawest Notes in section 15; • the summary of the Bellawest Notes Trust Deed in section 19.1; and • the terms of the Bellawest Notes in Annexure D. <p>In considering whether to elect some or all Bellawest Notes or cash as Ordinary Scheme Consideration, it is important to consider all risks and all other information regarding an investment in Bellawest Notes in light of your particular investment objectives and circumstances. You should seek professional guidance from your stockbroker, accountant or other independent and qualified professional adviser.</p> <p>While the Independent Expert has concluded that the value of a Bellawest Note is substantially equivalent to the cash consideration of \$12.60 and, therefore, fair to Ordinary Scheme Shareholders, the Independent Expert also recommends that Ordinary Scheme Shareholders carefully consider the disadvantages of electing Bellawest Notes and, if in doubt, to elect the cash consideration.</p>	<p>Sections 4.3, 14, 15 and 19.1</p> <p>Annexure D</p>
How do I make an election?	<p>An election of the amount of consideration to be received as Bellawest Notes (if any) can be made by completing the pink Election Form enclosed with this Explanatory Booklet.</p> <p>The deadline for receipt of Election Forms by the Registry is the Election Time, being 5.00pm on the day which is 8 Business Days after the Effective Date or such other date agreed in writing by Bellawest and PCL.</p> <p>Where no election is made, an invalid election is made or the Ordinary Scheme Shareholder is an Ineligible Foreign Shareholder, such Ordinary Scheme Shareholders will receive all of the Ordinary Scheme Consideration in the form of cash.</p> <p>Once an election has been made by an Ordinary Shareholder, whether valid or not, it will be irrevocable unless PCL and Bellawest agree, in their</p>	<p>Sections 4.2 and 17.3(a)</p>

FREQUENTLY ASKED QUESTIONS ABOUT THE ORDINARY SCHEME

Question	Answer	Further details
	absolute discretion, to its revocation.	
How can I obtain an Election Form?	A pink Election Form is enclosed with this Explanatory Booklet. If you require a further election form, please contact Boardroom on 1300 737 760.	
Does the election apply to additional Ordinary Shares which I subsequently acquire?	<p>Yes. The election you make will apply to any Ordinary Shares that you hold on the Record Date unless PCL and Bellawest agree to allow you to change your election.</p> <p>If you elect to receive Bellawest Notes, then the number that you elect will apply regardless of any changes to your total Shareholding. You will receive that number of Bellawest Notes (or such lesser amount if you hold less Ordinary Shares at the Record Date than in your Election) and the balance of the Scheme Consideration (if any) in cash.</p>	
How is Bellawest funding the cash component of the Ordinary Scheme Consideration?	The cash amount of the Ordinary Scheme Consideration will be funded by the Loan Agreement from Payce Finance under which Payce Finance will provide financial assistance to Bellawest up to a maximum of \$120 million. The financial assistance is subject to approval of the Financial Assistance Resolution.	Section 4.6
When will I receive the Ordinary Scheme Consideration?	<p>On the Ordinary Scheme Implementation Date, the cash amount of the Ordinary Scheme Consideration will be dispatched by electronic funds transfer or cheque and the Bellawest Notes will be issued to Ordinary Scheme Shareholders other than Ineligible Foreign Shareholders.</p> <p>Holding statements for Bellawest Notes will be sent to relevant Shareholders within two Business Days after the Ordinary Scheme Implementation Date.</p>	Section 17.3(a)
Will I have to pay brokerage or stamp duty?	No. Brokerage and stamp duty will not be payable by you in connection with the Schemes.	
If I am an Ordinary Shareholder, can I sell my Ordinary Shares?	<p>Yes, the proposed Ordinary Scheme does not preclude you from selling your Ordinary Shares provided you do so before close of trading in Ordinary Shares on ASX on the Effective Date.</p> <p>If you sell your Ordinary Shares, you:</p> <ul style="list-style-type: none"> • will not be entitled to receive the Ordinary Scheme Consideration; and • may incur a brokerage charge. 	
Do I have to sign anything to transfer my	No. If the Schemes are approved, PCL will automatically have authority to sign a transfer on	Section 6.5(b)

FREQUENTLY ASKED QUESTIONS ABOUT THE ORDINARY SCHEME

Question	Answer	Further details
Ordinary Shares?	<p>your behalf, and the relevant Scheme Consideration will then be provided to you. However, you should be aware that under the Ordinary Scheme, you are deemed to have warranted to PCL that (in summary):</p> <ul style="list-style-type: none"> • all your Ordinary Shares are fully paid and not encumbered; and • you have full power and capacity to sell and transfer your Ordinary Shares. <p>Therefore, you should ensure that these warranties can be given by you on the Ordinary Scheme Implementation Date.</p>	

VOTING FOR ORDINARY SHAREHOLDERS

What can I vote on?	If you are registered as an Ordinary Shareholder at the Voting Entitlement Time you will be entitled to vote on the resolutions to be proposed at the General Meeting and the Ordinary Scheme Meeting.	Section 5 Annexure G and Annexure H
What approvals are required at the Ordinary Scheme Meeting?	<p>The Ordinary Scheme needs to be approved by:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Voting Shareholders present and voting at the Ordinary Scheme Meeting (in person or by proxy, corporate representative or attorney); and • Voting Shareholders who together hold at least 75% of the total number of votes cast on the resolution at the Ordinary Scheme Meeting. <p>Bellawest and the Bellawest Associates are excluded from voting on the Transaction Resolutions.</p>	Section 5.2
What approvals are required at the General Meeting?	<p>The Financial Assistance Resolution to be passed at the General Meeting needs to be approved by at least 75% of the total number of votes cast by Voting Shareholders present and voting at the General Meeting (in person or by proxy, corporate representative or attorney).</p> <p>The Capital Reduction Resolution to be passed at the General Meeting similarly needs to be approved by at least 75% of the total number of votes cast by Voting Shareholders present and voting at the General Meeting (in person or by proxy, corporate representative or attorney).</p> <p>Preference Shareholders may vote on the Capital Reduction Resolution but any vote cast in favour of the Capital Reduction Resolution by a Preference Shareholder or its Associates will be disregarded.</p> <p>Preference Shareholders and Bellawest and the</p>	Annexure H

FREQUENTLY ASKED QUESTIONS ABOUT THE ORDINARY SCHEME

Question	Answer	Further details
	Bellawest Associates are excluded from voting on the Financial Assistance Resolution or the Capital Reduction Resolution.	
What is the Financial Assistance Resolution?	<p>The Financial Assistance Resolution to be considered at and voted on at the General Meeting, if approved, will allow Payce Finance to provide financial assistance to Bellawest for the acquisition of the Ordinary Scheme Shares pursuant to the Loan Agreement.</p> <p>Preference Shareholders will not be entitled to vote on the Financial Assistance Resolution.</p> <p>This financial assistance will only be given if the Schemes are implemented.</p>	Sections 4.6, 11.4 and 17.6
What is the Capital Reduction Resolution?	<p>The Capital Reduction Resolution to be considered and voted on at the General Meeting is to approve the reduction of the Preference Scheme Shares pursuant to the Preference Scheme.</p> <p>The Shareholders entitled to vote are Ordinary Shareholders and Preference Shareholders as at the Record Date (other than the Bellawest Associates) but any vote cast in favour of the Capital Reduction Resolution by a Preference Shareholder or its Associates will be disregarded.</p> <p>Note that Preference Shareholders are entitled to abstain from voting or vote against the Capital Reduction Resolution.</p>	Section 17.5
How can I vote?	<p>Ordinary Shareholders may vote:</p> <ul style="list-style-type: none"> by proxy, using the provided forms; in person, by attending the Ordinary Scheme Meeting to be held at 10.30am on 31 October 2016 at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127 and the General Meeting to be held at 10.45am, or as soon as reasonably practicable after the conclusion of the Ordinary Scheme Meeting at the same location. <p>If you vote by proxy, your proxy form must be received by Boardroom (whether by hand, internet, mail or fax) at least 48 hours prior to the relevant meeting for your vote to be counted. For further details, please refer to section 5 'Meeting and voting information for the Ordinary Scheme and General Meeting'.</p>	<p>Section 5</p> <p>Annexure G and Annexure H</p>

FREQUENTLY ASKED QUESTIONS ABOUT THE ORDINARY SCHEME

Question	Answer	Further details
How do I vote in favour of the Transaction?	<p>Ordinary Shareholders who wish to follow the Independent Directors' recommendation and vote in favour of the Transaction, should vote in favour of the:</p> <ul style="list-style-type: none"> • Ordinary Scheme Resolution; • Financial Assistance Resolution; and • Capital Reduction Resolution. 	<p>Section 5 Annexure G and Annexure H</p>
How do I vote against the Transaction?	<p>Ordinary Shareholders who wish to vote against the Transaction, should vote against the:</p> <ul style="list-style-type: none"> • Ordinary Scheme Resolution; • Financial Assistance Resolution; and • Capital Reduction Resolution. 	<p>Section 5 Annexure G and Annexure H</p>

2.3 Preference Scheme

FREQUENTLY ASKED QUESTIONS ABOUT THE PREFERENCE SCHEME

Question	Answer	Further details
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BACKGROUND

What is the Preference Scheme?	The Preference Scheme is a legal mechanism pursuant to which PCL is asking Voting Shareholders to consider and vote on a proposal to undertake a selective capital reduction and cancel all Preference Shares in exchange for PCL providing the Preference Scheme Consideration.	Sections 7, 17.2 and 18 Annexure E
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YOUR ENTITLEMENTS

Will I be entitled to participate in the Preference Scheme?	<p>Yes, provided:</p> <ul style="list-style-type: none"> all approvals and conditions for the Schemes are satisfied or waived (as applicable); and you are registered as a holder of Preference Shares on the Record Date (expected to be 11 November 2016). 	Definition of Preference Scheme Shareholder
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What will I receive if the Schemes are implemented?	<p>If the Schemes are approved and implemented, you will receive for each Preference Share you hold on the Record Date:</p> <ul style="list-style-type: none"> one PCL Note; \$1.00 cash; and an additional amount of cash calculated to reflect the pro-rata amount of any dividend accrued and unpaid on the Preference Share up to the Preference Scheme Implementation Date. 	Section 7.2
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What is a PCL Note?	A PCL Note is an unsecured note issued by PCL with a face value representing a principal amount of \$6.50 per note, 4 year maturity and attaching coupon of 7.5% per annum.	Section 7.3, 15 and 19.2 Annexure F
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When will I receive the Preference Scheme Consideration?	<p>On the Preference Scheme Implementation Date, the cash proportion of the Preference Scheme Consideration will be dispatched by electronic funds transfer or cheque and the PCL Notes will be issued to Preference Scheme Shareholders (other than Ineligible Foreign Shareholders who will receive a cash equivalent).</p> <p>Holding statements for PCL Notes will be sent to relevant Shareholders within two Business Days after the Preference Scheme Implementation Date.</p>	Section 17.3(b)
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FREQUENTLY ASKED QUESTIONS ABOUT THE PREFERENCE SCHEME

Question	Answer	Further details
What happens to the dividend entitlements on Preference Shares?	<p>If a dividend payment date occurs before the Preference Scheme Implementation Date and the directors resolve to declare a dividend in accordance with the terms of the Preference Shares, then PCL has agreed to pay those dividends in cash.</p> <p>The next scheduled dividend payment date is 3 December 2016.</p> <p>In addition, on the Preference Scheme Implementation Date, PCL will pay an additional amount per Preference Share calculated to reflect the amount of the unpaid dividends in relation to the Preference Shares up to (but excluding) the Preference Scheme Implementation Date.</p> <p>If the Schemes are implemented, you will have no further entitlements to dividends.</p>	
What will happen to the remaining deferred consideration in relation to the 2015 buy-back?	<p>The second deferred cash consideration payment of \$0.70 in respect of each ordinary share that was bought back under the buy-back offer dated 4 May 2015 is due to be paid on 3 December 2016.</p> <p>PCL has agreed to pay the second deferred cash consideration on the earlier of the Preference Scheme Implementation Date and 3 December 2016.</p>	
Will I have to pay brokerage or stamp duty?	No. Brokerage and stamp duty will not be payable by you in connection with the Schemes.	
If I am a Preference Shareholder, can I redeem my Preference Shares?	No. However, you are still able to transfer your Preference Shares in accordance with their terms.	

TRANSACTION

How is PCL funding the cash component of the Preference Scheme Consideration?	The cash proportion of the Preference Scheme Consideration will be paid out of the current available cash reserves of PCL.	Section 7.7
What is the Cancellation Resolution?	The Cancellation Resolution to be considered and voted on at the Preference General Meeting is a resolution of Preference Shareholders required under section 256C(2) of the Corporations Act to approve the cancellation of all Preference Scheme Shares pursuant to the Preference Scheme.	Section 17.8

FREQUENTLY ASKED QUESTIONS ABOUT THE PREFERENCE SCHEME

Question	Answer	Further details
What is the Capital Reduction Resolution?	<p>The Capital Reduction Resolution to be considered and voted on at the General Meeting is a resolution of relevant Shareholders required under section 256C(2)(a) of the Corporations Act to approve the reduction of the Preference Scheme Shares pursuant to the Preference Scheme.</p> <p>The relevant Shareholders are Ordinary Shareholders and Preference Shareholders as at the Record Date, but any vote cast in favour of the Capital Reduction Resolution by a Preference Shareholder or its Associates will be disregarded.</p>	Section 17.5
Do I have to sign anything to effect the Preference Scheme?	No. If the Schemes are approved, PCL will automatically have authority to cancel all Preference Shares.	

VOTING FOR PREFERENCE SHAREHOLDERS

What can I vote on?	<p>If you are registered as a Preference Shareholder at the Voting Entitlement Time you will be entitled to vote on the resolutions to be proposed at the Preference Scheme Meeting and the Preference General Meeting, and will be entitled to vote on the Capital Reduction Resolution at the General Meeting, however any votes cast in favour of the Capital Reduction Resolution at the General Meeting by Preference Shareholders will be disregarded.</p>	<p>Section 8</p> <p>Annexure I and Annexure J</p>
How do I attend the Preference Scheme Meeting and the Preference General Meeting?	The notices convening the Preference Scheme Meeting and the Preference General Meeting are contained in Annexure I and Annexure J respectively of this Explanatory Booklet.	Annexure I and Annexure J
What approvals are required at the Preference Scheme Meeting?	<p>The Preference Scheme needs to be approved by:</p> <ul style="list-style-type: none"> a majority in number (more than 50%) of Voting Shareholders present and voting at the Preference Scheme Meeting (in person or by proxy, corporate representative or attorney); and Voting Shareholders who together hold at least 75% of the total number of votes cast on the resolution at the Preference Scheme Meeting. <p>The passing of the Transaction Resolutions to be considered at the other meetings and the Preference Scheme Meeting are interdependent and the passing of each resolution is conditional upon the other resolution being passed.</p> <p>Bellawest and the Bellawest Associates are excluded from voting on the Transaction Resolutions.</p>	<p>Section 8</p> <p>Annexure I</p>

FREQUENTLY ASKED QUESTIONS ABOUT THE PREFERENCE SCHEME

Question	Answer	Further details
What approvals are required at the Preference General Meeting?	<p>The Cancellation Resolution to be passed at the Preference General Meeting needs to be approved by at least 75% of the total number of votes cast by Voting Shareholders present and voting at the Preference General Meeting (in person or by proxy, corporate representative or attorney).</p> <p>The passing of the Cancellation Resolution and all other Transaction Resolutions are interdependent and the passing of each resolution is conditional upon the other resolution being passed.</p> <p>Ordinary Shareholders and Bellawest and the Bellawest Associates are excluded from voting on the Cancellation Resolution.</p>	<p>Section 8</p> <p>Annexure J</p>
How can I vote?	<p>Preference Shareholders can vote:</p> <ul style="list-style-type: none"> by proxy, using the provided forms; in person, by attending the Preference Scheme Meeting to be held on 31 October 2016 at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127 at 11.00am or as soon as reasonably practicable after the conclusion of the General Meeting and the Preference General Meeting to be held at 11.15am, or as soon as reasonably practicable after the conclusion of the Preference Scheme Meeting on 31 October 2016 at the same location. <p>If you vote by proxy, your proxy form must be received by Boardroom (whether by hand, internet, mail or fax) by at least 48 hours prior to the relevant meeting for your vote to be counted. For further details, please refer to section 8 'Meeting and voting information for the Preference Scheme and related Transaction Resolutions'.</p>	<p>Section 8</p> <p>Annexure I and Annexure J</p>
How do I vote in favour of the Transaction?	<p>Preference Shareholders who wish to follow the Independent Directors' recommendation and vote in favour of the Transaction, should:</p> <ul style="list-style-type: none"> abstain from voting on the Capital Reduction Resolution. vote in favour of the Preference Scheme Resolution; and vote in favour of the Cancellation Resolution. 	<p>Section 8</p> <p>Annexure I and Annexure J</p>
How do I vote against the Transaction?	<p>Preference Shareholders who wish to vote against the Transaction, should vote against the:</p> <ul style="list-style-type: none"> Capital Reduction Resolution. Preference Scheme Resolution; and Cancellation Resolution. 	<p>Section 8</p> <p>Annexure I and Annexure J</p>

3. Independent Directors

3.1 Independent Board committee

(a) Protocols

The PCL Board adopted a set of board protocols which outlined the manner in which the PCL Board and PCL would deal with the Transaction. The protocols:

- provide for the establishment of a committee of the Independent Directors;
- ensure that the Independent Directors have appropriate advice;
- preclude influence by participating insiders on PCL's response to any proposal;
- establish rules concerning information disclosure and access, confidentiality and related matters;
- ensure that Shareholders' best interests are advanced in the face of any proposal involving participating insiders; and
- aims to ensure the maintenance of an efficient, competitive and informed market for shares in PCL.

(b) Membership

Independent Directors are Mr Chris Gabriel and Mr Roger Short. Each of Mr Chris Gabriel and Mr Roger Short has confirmed that they not involved as insiders in the Transaction. The profiles of the Independent Directors are set out in section 10.6.

(c) Role and responsibility

The role of the Independent Directors is to oversee application of the protocols and the entire Transaction in the interests of Shareholders which will include:

- considering the Transaction;
- engaging, liaising and dealing with advisers and experts;
- liaising and dealing with the PCL management team;
- ensuring the Independent Directors and PCL are receiving appropriate advice in relation to the Transaction; and
- supervising the preparation of shareholder communications, including this Explanatory Booklet; and
- approving the final terms of the Transaction and related documentation on behalf of PCL.

All consideration of, and decisions in relation to, the Transaction and any Competing Proposal (including any ASX announcements with respect to these matters) will be made by the Independent Directors. Brian Boyd must not be present at, or participate in or vote on any consideration by the PCL Board or the committee of the Independent Directors of the Transaction and any Competing Proposal, unless specifically requested by the Independent Directors. To facilitate this, meetings of the Independent Directors (to the extent practicable) are to be held separately to other board meetings of the PCL to quarantine any decisions with respect to the Transaction and any Competing Transaction.

3.2 **Independent Directors' recommendations**

The Independent Directors have unanimously determined that:

- the Ordinary Scheme is in the best interests of Ordinary Scheme Shareholders; and
- the Preference Scheme is in the best interests of Preference Shareholders,

and recommend that Voting Shareholders vote in favour of the Transaction Resolutions applicable to them in the absence of a Superior Proposal.

The Independent Directors believe that the reasons for Shareholders to vote in favour of the Transaction Resolutions outweigh the reasons to vote against. See sections 6 and 9 for full details of the reasons to vote for and against the resolutions.

3.3 **Voting intentions of Independent Directors**

Roger Short intends to vote, or procure the voting of, all Ordinary Shares and Preference Shares controlled by him at the time of the Transaction Meetings in favour of all Transaction Resolutions (aside from the Capital Reduction Resolution on which he will abstain from voting), in the absence of a Superior Proposal.

Chris Gabriel does not hold any Shares.

4. Overview of the Ordinary Scheme and related Transaction Resolutions

This section 4 only relates to the Ordinary Scheme

4.1 Introduction

On 1 July 2016 the Independent Directors announced the proposed acquisition of the Ordinary Shares in PCL (other than those held by Non-Participating Shareholders) by Bellawest, to be effected by way of a court approved scheme of arrangement.

On 26 August 2016 the Independent Directors announced that a Preference Scheme would also be proposed pursuant to which, if implemented, PCL will cancel all of the preference shares in PCL. The Ordinary Scheme and the Preference Scheme are interconditional and subject to various conditions.

4.2 What you will receive

If the Schemes become Effective, Ordinary Scheme Shareholders will be entitled to receive consideration of either \$12.60 cash or one Bellawest Note for each Ordinary Share held on the Record Date. A pink Election Form accompanies this Explanatory Booklet, which allows each Ordinary Scheme Shareholder to elect the number of Bellawest Notes (if any) they wish to receive as Ordinary Scheme Consideration.

The deadline for receipt of Election Forms by the Registry is the Election Time, being 5.00pm on the day which is eight Business Days after the Effective Date (such deadline currently being 16 November 2016).

Where no election is made, an invalid election is made or the Ordinary Scheme Shareholder is an Ineligible Foreign Shareholder, such Ordinary Scheme Shareholders will be deemed to have elected to take all of the Ordinary Scheme Consideration to which they are entitled in the form of cash.

Once an election has been made by an Ordinary Shareholder, whether valid or not, it will be irrevocable unless PCL and Bellawest agree, in their absolute discretion, to its revocation.

Further details on the determination of persons entitled to Ordinary Scheme Consideration and how and when the Ordinary Scheme Consideration will be paid are included in section 17.3 and 17.4.

4.3 What are the terms of the Bellawest Notes?

Set out in the table below is a summary of the terms of the Bellawest Notes.

If you are an Ordinary Shareholder and are considering electing to receive some or all of the Ordinary Scheme Consideration as Bellawest Notes, it is important that you also consider the benchmarking and risks associated with holding Bellawest Notes (see section 15) and the full terms of the Bellawest Notes (attached as Annexure D).

Issuer	Bellawest
Trustee	Australian Executors Trustee Limited (ACN 007 869 794)
Face value	\$12.60
Issue date	The Ordinary Scheme Implementation Date. This is currently expected to be 25 November 2016

Interest rate and payment dates	<p>6.5% per annum, which accrues from day to day and will be payable or capitalised in arrears on the last day of each Quarter until redemption of the Bellawest Note.</p> <p>The first payment or capitalisation date is scheduled to be on 31 December 2016</p>
Optional capitalisation of interest payments	Bellawest may elect to capitalise interest payable on any of the interest payment dates.
Maturity date	All outstanding Bellawest Notes will be redeemed on the maturity date which is the last day of the Quarter 2 years from the Issue date outlined above
Optional early redemption	<p>The Trustee may from time to time give Bellawest Noteholders a trigger notice, notifying them that an early redemption of Notes can be requested by any Bellawest Noteholder giving a redemption notice during the 14 day period following the date of the trigger notice. In this case, the date of redemption of the Bellawest Notes will be on a Business Day not more than 28 days after the date of the trigger notice.</p> <p>Bellawest may limit the number of Bellawest Notes that will be redeemed. If the number of Bellawest Notes requested to be redeemed in the redemption notices provided is more than the determined limit, Bellawest must redeem such lesser number pro-rata as between the Bellawest Noteholders who gave such redemption notices.</p>
Compulsory early redemption	<p>Bellawest Notes can be redeemed by Bellawest prior to the maturity Date (which has the meaning set out in the Bellawest Note Trust Deed) by giving Noteholders a redemption notice between 28 and 7 days prior to any Interest Payment Date (which has the meaning set out in the Bellawest Note Trust Deed).</p> <p>In such case, the date of redemption of the Bellawest Notes will be the Interest Payment Date immediately following the date of the redemption notice.</p> <p>Unless Bellawest is redeeming all Bellawest Notes, it must redeem the Bellawest Notes pro-rata as between Bellawest Noteholders.</p>
Payment on redemption	Where a Bellawest Note is redeemed Bellawest will pay to the Bellawest Noteholder \$12.60 (being the face value of the Bellawest Note) plus the amount of any capitalised interest plus the amount of any interest accrued but unpaid as at that date.
Transfer	The Bellawest Notes will not be quoted on the ASX, but may be transferred by a written instrument in usual form or any other form that the directors of Bellawest approve.
Unlisted	The Bellawest Notes will not be quoted on the ASX.
Unsecured	The Bellawest Notes are unsecured.
Subordination	The Bellawest Notes will be subordinated to Bellawest's secured creditors and will rank in priority to all of Bellawest's shares in the event of a winding up. The Bellawest Notes will rank pari passu with each other and with all other unsecured creditors of Bellawest.

No participation

Bellawest Notes carry no right to participate in any issue of securities or capital reconstructions or reorganisations of Bellawest.

Bellawest has appointed a trustee pursuant to the Note Trust Deed. A summary of the key provisions of the Note Trust Deed is included in section 19.1.

4.4 Independent Expert

The Independent Directors have commissioned the Independent Expert (Grant Thornton), to prepare a report to ascertain whether the Ordinary Scheme is in the best interests of Ordinary Scheme Shareholders.

The Independent Expert has concluded that the Ordinary Scheme is fair and reasonable and hence in the best interests of Ordinary Scheme Shareholders.

While the Independent Expert has concluded that the value of the Bellawest Notes is substantially equivalent to the cash consideration of \$12.60 and, therefore, fair to Ordinary Scheme Shareholders, it also recommends that Ordinary Scheme Shareholders carefully consider the disadvantages of electing Bellawest Notes and, if in doubt, to elect the cash consideration.

The Independent Expert's Report is set out in Annexure A of this Explanatory Booklet.

4.5 Key conditions

Implementation of the Ordinary Scheme is conditional on the implementation of the Preference Scheme, meaning that the Transaction as a whole is subject to a number of conditions precedent including (but not limited to):

- Voting Shareholders approving the Ordinary Scheme by the Requisite Majority;
- Voting Shareholders approving the Preference Scheme by the Requisite Majority;
- the Court approving the Schemes;
- Voting Shareholders approving the Financial Assistance Resolution by the Requisite Majority;
- Voting Shareholders approving the Capital Reduction Resolution and the Cancellation Resolution by the Requisite Majorities;
- no Prescribed Occurrence occurring.

Further information about the conditions to the Schemes, including those conditions that have been satisfied at the date of this Explanatory Booklet, is set out in section 18.1.

4.6 Funding agreement

If the Schemes are approved and implemented, the cash component of the Ordinary Scheme Consideration will be funded by a loan to Bellawest from Payce Finance under the terms of the Loan Agreement. Payce Finance will fund this loan from existing cash reserves subject to the approval of Financial Assistance Resolution. Further details of the funding arrangements are set out in section 11.4.

In respect of the Ordinary Scheme Consideration to be satisfied in cash, Bellawest will direct Payce Finance to pay these funds to a bank account operated by PCL as trustee for the Ordinary Scheme Shareholders as required under the Ordinary Scheme and the Deed Poll.

The financial assistance to be provided under the Loan Agreement, is integral to the implementation of the Schemes and, therefore, the entirety of this Explanatory Booklet is material to the decision on how to vote on the Financial Assistance Resolution. However, the following sections provide information that is of particular relevance:

- section 11.4 – the funding arrangements for the Ordinary Scheme Consideration including the key terms of the Loan Agreement;
- section 12.4 – the pro-forma financial statements for PCL prepared on the assumption that the financial assistance is given; and
- section 17.6 – an outline of the legal requirements for the Financial Assistance Resolution.

4.7 Implementation, timetable and procedures

If the Schemes are approved by the Requisite Majorities and the Court, and all other conditions to the Schemes are satisfied or (where applicable) waived, it is expected that the Ordinary Scheme will be implemented on or around 25 November 2016. The key indicative dates and times in relation to the Schemes are set out at the beginning of this Explanatory Booklet. Further information on the procedures for implementing the Schemes are set out in section 17.

4.8 Tax implications

The transfer of your Ordinary Shares in accordance with the Ordinary Scheme may have tax implications for you. A summary of relevant tax implications provided by PCL's tax advisors for Ordinary Scheme Shareholders is contained in section 14. Shareholders should always seek their own professional advice regarding their individual tax consequences before they make any decision relating to their shares.

5. Meeting and voting information for the Ordinary Scheme and General Meeting

5.1 Meetings

There are four meetings comprising the Transaction Meetings:

- the Ordinary Scheme Meeting;
- the General Meeting;
- the Preference Scheme Meeting; and
- the Preference General Meeting.

Each meeting will be held at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127 on 31 October 2016, commencing with the Ordinary Scheme Meeting at 10.30am, the General Meeting is scheduled to begin at 10.45am, or as soon as reasonably practicable after the conclusion of the Ordinary Scheme Meeting.

Ordinary Shareholders will only be entitled to vote at the Ordinary Scheme Meeting and the General Meeting.

The notices convening the Ordinary Scheme Meeting and the General Meeting are contained in Annexure G and Annexure H of this Explanatory Booklet respectively.

5.2 Requisite Majorities

(a) Ordinary Scheme Meeting

At the Ordinary Scheme Meeting, the Ordinary Scheme Resolution will be proposed and must be approved by:

- unless the Court orders otherwise, a majority in number (more than 50%) of Voting Shareholders present and voting at the Ordinary Scheme Meeting (in person or by proxy, corporate representative or attorney); and
- at least 75% of the total number of votes which are cast by Voting Shareholders.

The Bellawest Associates are excluded from voting on the Ordinary Scheme Resolution.

(b) General Meeting

At the General Meeting:

- the Financial Assistance Resolution must be approved by at least 75% of the total number of votes cast by Voting Shareholders present and voting at the General Meeting (in person or by proxy, corporate representative or attorney) with no votes being cast in favour by the Bellawest Associates; and
- the Capital Reduction Resolution must be approved by at least 75% of the total number of votes cast by Voting Shareholders present and voting at the General Meeting (in person or by proxy, corporate representative or attorney) (which will include Ordinary Shareholders and Preference Shareholders), with no votes being cast in favour of the Capital Reduction Resolution by Preference Shareholders or their Associates.

The Bellawest Associates are excluded from voting on the resolutions to be put to Shareholders at the General Meeting.

5.3 Entitlement to vote

If you are registered as an Ordinary Shareholder (other than the Bellawest Associates) as at 7.00pm (Sydney time) on 29 October 2016 (being the Voting Entitlement Time), you will be entitled to vote on the Ordinary Scheme Resolution at the Ordinary Scheme Meeting and the Financial Assistance Resolution and Capital Reduction Resolution at the General Meeting.

Voting is not compulsory.

You can vote:

- in person;
- by appointing a proxy to vote for you;
- by representative (if you are a corporate Shareholder); or
- by attorney.

You will be counted as being present at the Ordinary Scheme Meeting or General Meeting if you vote in any of the ways outlined above.

In the case of Ordinary Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held Ordinary Shares, only the vote of the shareholder whose name first appears in the Register will be counted.

Preference Shareholders will not be entitled to vote at the Ordinary Scheme Meeting and will not be entitled to vote on the Financial Assistance Resolution at the General Meeting. Preference Shareholders (other than the Bellawest Associates) will be entitled to vote on the Capital Reduction Resolution if they are registered as Preference Shareholders as at 7.00pm (Sydney time) on 29 October 2016 (being the Voting Entitlement Time), however any votes cast in favour of the Capital Reduction Resolution by Preference Shareholders and their Associates will be disregarded.

5.4 Voting in person, by attorney or as a corporate representative

If you are entitled to vote and wish to do so in person, you should attend the Ordinary Scheme Meeting and the General Meeting, commencing from 10.30am on 31 October 2016.

A body corporate which is an Ordinary Shareholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. If you are attending as a corporate representative, please bring evidence of your appointment, including any authority under which the appointment was made.

Attorneys who plan to attend the Ordinary Scheme Meeting and the General Meeting should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote.

5.5 Voting by proxy

Proxy Forms are included with this document. If you wish to appoint a proxy to attend and vote at the meetings, you must complete the relevant Proxy Forms.

To be valid proxy forms must be received no later than:

- 10.30am on 29 October 2016 in respect of the Ordinary Scheme Meeting (blue Proxy Form); and

- 10.45am on 29 October 2016 in respect of the General Meeting (yellow Proxy Form).

Proxy Forms, duly completed in accordance with the instructions set out on the proxy form, may be returned to the Registry:

- by posting them to GPO Box 3993 Sydney NSW 2001;
- by delivering them by hand to Level 12, 225 George Street, Sydney NSW 2000;
- by faxing them to +61 2 9290 9655; or
- by lodging them online via the website set out on the relevant proxy form.

If an attorney signs a Proxy Form on your behalf, a copy of the authority under which the Proxy Form was signed must be received by Registry at the same time as the Proxy Form (unless you have already provided a copy of the authority to PCL).

5.6 **Undirected proxies**

If a proxy appointment is signed by or validly authenticated by an Ordinary Shareholder but does not name the proxy or proxies in whose favour it is given, the chairman of the Ordinary Scheme Meeting or General Meeting (as applicable) may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Independent Directors or the PCL Company Secretary.

It is expected that Mr. Chris Gabriel will act as chairman of the Ordinary Scheme Meeting and the General Meeting.

If:

- an Ordinary Shareholder nominates the chairman of the Ordinary Scheme Meeting or General Meeting (as applicable) as the Ordinary Shareholder's proxy; or
- a proxy appointment is signed by an Ordinary Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the proxy form,

the person acting as chairman in respect of an item of business at the Ordinary Scheme Meeting or General Meeting (as applicable) must act as proxy under the appointment in respect of that item of business.

Proxy appointments in favour of the chairman of the Ordinary Scheme Meeting or General Meeting (as applicable), the PCL Company Secretary or any PCL Director which do not contain a direction will be voted in support of the Ordinary Scheme Resolution at the Ordinary Scheme Meeting and both the Financial Assistance Resolution and Capital Reduction Resolution at the General Meeting (however if any Shareholder holds both Ordinary Shares and Preference Shares, or is an Associate of such Shareholder, the proxy appointment in favour of the chairman will abstain from voting on the Capital Reduction Resolution in respect of those Shares).

5.7 **How to vote in favour of the Transaction**

Ordinary Shareholders who wish to follow the Independent Directors' recommendation and vote in favour of the Transaction should vote in favour of the:

- Ordinary Scheme Resolution;
- Financial Assistance Resolution; and
- Capital Reduction Resolution.

Ordinary Shareholders who also hold Preference Shares (and Ordinary Shareholders who are Associates of Preference Shareholders) should abstain from voting on the Capital Reduction Resolution.

5.8 **How to vote against the Transaction**

Ordinary Shareholders who wish to vote against the Transaction should vote against the:

- Ordinary Scheme Resolution;
- Financial Assistance Resolution; and
- Capital Reduction Resolution.

6. Key reasons to vote for or against the Transaction Resolutions relevant to the Ordinary Scheme

6.1 Introduction

The purpose of this section 6 is to identify significant issues for Voting Shareholders to consider in relation to the resolutions on which Ordinary Shareholders are entitled to vote.

6.2 Independent Directors' recommendations and intentions

Having regard to all the considerations, the Independent Directors have unanimously determined that the Ordinary Scheme is in the best interests of Ordinary Scheme Shareholders and unanimously recommend that Ordinary Shareholders vote in favour of the Ordinary Scheme, the Financial Assistance Resolution and the Capital Reduction Resolution, in the absence of a Superior Proposal, for the reasons set out in section 6.3.

As at the date of this Explanatory Booklet Roger Short has a relevant interest in 35,000 Ordinary Shares, the legal holder of which is Jurocorp Pty Limited and Roger Short intends to vote, or procure the voting of, all Ordinary Shares controlled by him at the time of the Ordinary Scheme Meeting and the General Meeting in favour of the Ordinary Scheme Resolution and the Financial Assistance Resolution, in the absence of a Superior Proposal. Roger Short will abstain from voting on the Capital Reduction Resolution. Chris Gabriel does not hold any Shares.

6.3 Key reasons to vote in favour of the Transaction Resolutions relevant to the Ordinary Scheme

(a) The Independent Expert's conclusion

The Independent Expert, Grant Thornton, has reviewed the terms of the Ordinary Scheme and concluded that the Ordinary Scheme is both fair and reasonable, and in the best interests of Ordinary Scheme Shareholders.

A copy of the Independent Expert's Report is set out in Annexure A. This report should be read in its entirety, including the assumptions on which the conclusions are based.

(b) Significant premium

The Ordinary Scheme Consideration of \$12.60 per Ordinary Share represents a premium of:

- 80% to the VWAP for Ordinary Shares over the month prior to 30 June 2016 (being the day before the Ordinary Scheme was first announced);
- 80% to the VWAP for Ordinary Shares over the 3 months prior to 30 June 2016; and
- 80% to the VWAP for Ordinary Shares over the 6 months prior to 30 June 2016.

(c) Realise a return on investment

Approximately 95% of Ordinary Shares are held or controlled by the top 10 Ordinary Shareholders. In the 12 months prior to 1 July 2016 (being the date on which the Ordinary Scheme was first announced), only 0.82% of the Ordinary Shares traded on the ASX.

As trading in Ordinary Shares is intermittent, the low liquidity in the public market for Ordinary Shares makes it unlikely that Ordinary Scheme Shareholders will be able to exit their investment in Ordinary Shares on-market for a significant premium without placing significant downward pressure on the Ordinary Share price in the absence of the Ordinary Scheme (or a Superior Proposal).

(d) **Consideration flexibility**

Ordinary Scheme Shareholders (other than Ineligible Foreign Shareholders) are given the choice of receiving any proportion of their Ordinary Scheme Consideration in the form of cash or Bellawest Notes. This flexibility allows Ordinary Scheme Shareholders to choose the form of Ordinary Scheme Consideration that best suits their circumstances.

(e) **Certainty and immediate value of cash consideration**

Ordinary Scheme Shareholders have the option to elect to receive some or all of their Ordinary Scheme Consideration in cash. The certainty of cash consideration should be compared against the risk and uncertainties of remaining an Ordinary Shareholder, which include, but are not limited to the risks set out in section 15.

(f) **Bellawest Notes have a fixed face value and provide a fixed rate of return**

The Bellawest Notes carry with them a fixed rate of return of 6.5% per annum and unlike Ordinary Shares are not susceptible to price fluctuations which depend on the state of the share market.

(g) **No Competing Proposal or Superior Proposal has emerged**

As at the date of this Explanatory Booklet, no Competing Proposal has been received by PCL and the Independent Directors are not aware of any Competing Proposal that is likely to be made. It is not expected that another proposal will be received given that the significant existing shareholding of the Bellawest Associates (49.93% as at the date of this Explanatory Booklet) makes proposing an alternative transaction unattractive to Third Parties.

(h) **Ordinary Share price may return to, or fall below, pre-Scheme announcement levels**

If the Schemes are not implemented and no alternative proposal emerges, PCL will remain an independent listed company and will continue its current activities. It is possible that PCL's Ordinary Share price will return to pre-Scheme levels, and may drop below pre-Scheme announcement levels. However, it is difficult to predict the future Ordinary Share price movement with any certainty.

(i) **No brokerage or stamp duty**

Ordinary Shareholders will not be required to pay any brokerage or stamp duty costs in connection with the disposal of their Ordinary Shares under the Ordinary Scheme. However, if you sell your Ordinary Shares on-market on the ASX, you may incur brokerage costs.

6.4 **Key reasons to vote against the Transaction Resolutions relevant to the Ordinary Scheme**

- (a) **You may disagree with the Independent Directors' unanimous recommendation or the Independent Expert's conclusion.**

(b) **You may want to remain as an Ordinary Shareholder**

You may believe that PCL will continue to grow and Ordinary Shareholders will have the opportunity for greater returns over the long term by continued investment in PCL, including by way of any appreciation in the value of Ordinary Shares or the right to any potential future dividends in respect of Ordinary Shares.

If you elect to receive a portion of your Ordinary Scheme Consideration as Bellawest Notes you will be making a debt investment instead of an investment in equity. As the Bellawest Notes carry with them a fixed face value and rate of return, you will not be entitled to participate in any upside of the operational performance of PCL. The Bellawest Notes are also subject to various risks further details of which are set out in section 15.

(c) **Bellawest is an unlisted private company**

If Ordinary Scheme Shareholders elect to receive Bellawest Notes as part of their Ordinary Scheme Consideration they will be issued with unsecured notes in a private and unlisted company. As an unlisted disclosing entity under the Corporations Act, Bellawest will still be required to meet continuous disclosure requirements by lodging with ASIC any information Bellawest has that a reasonable person would expect to have a material effect on the price or value of Bellawest securities. Bellawest must also disclose financial accounts and quarterly reports under the Bellawest Note Trust Deed. These disclosure obligations are similar to those provided by the ASX Listing Rules, but may not provide Bellawest Noteholders with the same high level of transparency and disclosure required by the ASX with regards to Ordinary Shares.

(d) **You may not approve of the funding arrangements for the Ordinary Scheme**

You may not believe that Payce Finance should provide financial assistance to Bellawest to fund the Ordinary Scheme.

(e) **Potential taxation consequences**

If the Transaction is approved and implemented, Ordinary Scheme Shareholders will dispose of their Ordinary Shares in return for cash and/or Bellawest Notes. This is likely to give rise to taxation consequences for most Ordinary Scheme Shareholders and these consequences may not be favourable for you. Section 14 of this Explanatory Booklet provides a general outline of the likely tax consequences if the Transaction is approved and implemented. You should read section 14 and seek professional taxation advice with respect to your individual tax situation.

(f) **Preference Scheme**

If you also hold Preference Shares, you may not want the Preference Scheme to be implemented and, therefore, may choose to vote against all the Transaction Resolutions.

6.5 Other relevant considerations

(a) All or nothing proposal

If the Ordinary Scheme is approved by the Requisite Majority of Voting Shareholders and by the Court and all of the other conditions to the Ordinary Scheme (including the approval of the Preference Scheme by the Requisite Majority of Voting Shareholders) are either satisfied or waived (where applicable):

- The Ordinary Scheme will bind all Ordinary Scheme Shareholders, including those who do not vote on the Ordinary Scheme Resolution and those who vote against it, meaning that all Ordinary Scheme Shareholders will have their Ordinary Shares transferred to Bellawest and will receive the Ordinary Scheme Consideration.
- PCL will become a Subsidiary of Bellawest and will be delisted from ASX.

If any of the conditions to the Ordinary Scheme are not satisfied or waived (where applicable), the Scheme Implementation Deed may be terminated and the Ordinary Scheme will not be implemented.

(b) Warranties from Ordinary Scheme Shareholders

Under the terms of the Ordinary Scheme, Ordinary Scheme Shareholders will be taken to have represented and warranted to PCL and Bellawest that at the date of transfer of all Ordinary Shares under the Ordinary Scheme:

- all their Ordinary Shares (including any rights and entitlements attaching to those shares) will be fully paid and free from all Encumbrances and restrictions on transfer of any kind; and
- they have full power and capacity to sell and to transfer all of their Ordinary Shares (including any rights and entitlements attaching to those shares) to Bellawest under the Ordinary Scheme.

These representations and warranties are set out in clause 8.2 of the Ordinary Scheme which is contained in Annexure B of this Explanatory Booklet.

7. Overview of the Preference Scheme and related Transaction Resolutions

This section 7 is only relevant to the Preference Scheme

7.1 Introduction

On 1 July 2016 the Independent Directors announced the proposed acquisition of the Ordinary Shares in PCL (other than those held by Non-Participating Shareholders) by Bellawest, to be effected by way of a court approved scheme of arrangement.

On 26 August 2016 the Independent Directors announced that a Preference Scheme would also be proposed pursuant to which, if implemented, PCL will cancel all of the preference shares in PCL. The Ordinary Scheme and the Preference Scheme are interconditional and subject to various conditions.

7.2 What you will receive

If the Schemes become Effective, Preference Scheme Shareholders will be entitled to receive, for each Preference Share held on the Record Date:

- \$1.00; plus
- one unsecured note issued by PCL with a face value representing a principal amount of \$6.50 per note, 4 year maturity and attaching coupon of 7.5% per annum; plus
- an additional cash amount calculated to reflect the pro-rata amount of any dividend accrued and unpaid on the Preference Share up to the Preference Scheme Implementation Date.

The formula for calculating the additional cash amount is set out in clause 5.2 of the Preference Scheme of Arrangement (Annexure E). It uses the dividend rate under the terms of the Preference Shares (currently 7%) and calculates the dividend payable for the period since the last dividend payment date up to (but excluding) the Preference Scheme Implementation Date. The minimum additional cash amount payable per Preference Share will be \$nil and the maximum will be \$0.13125 cents per Preference Share.

Ineligible Foreign Shareholders will not be entitled to receive any PCL Notes and will instead receive a cash equivalent, that is, \$6.50 per Preference Share in addition to the cash amounts described above.

Further details on the determination of persons entitled to Preference Scheme Consideration and how and when the Ordinary Scheme Consideration will be paid are included in section 17.3 and 17.5.

7.3 What are the terms of the PCL Notes?

Set out in the table below is a summary of the terms of the PCL Notes.

If you are a Preference Shareholder, it is important that you are aware of the benchmarking and risks associated with holding PCL Notes to be issued as part of the Preference Scheme Consideration (see section 16) and the full terms of the PCL Notes (attached as Annexure F).

Issuer	PCL
Trustee	Australian Executors Trustee Limited (ACN 007 869 794)

Face value	\$6.50
Issue date	The Preference Scheme Implementation Date. This is currently expected to be 23 November 2016
Interest rate and payment dates	<p>7.5% per annum, which accrues from day to day and will be payable or capitalised in arrears on the last day of each Quarter until redemption of the PCL Note.</p> <p>The first payment or capitalisation date is scheduled to be on 31 December 2016</p>
Optional capitalisation of interest payments	PCL may elect to capitalise interest payable on any of the interest payment dates.
Maturity date	All outstanding PCL Notes will be redeemed on the maturity date which is the last day of the Quarter 4 years from the Issue date outlined above
Optional early redemption	<p>The Trustee may from time to time give PCL Noteholders a trigger notice, notifying them that an early redemption of PCL Notes can be requested by any PCL Noteholder giving a redemption notice during the 14 day period following the date of the trigger notice. In this case, the date of redemption of the PCL Notes will be on a Business Day not more than 28 days after the date of the trigger notice.</p> <p>PCL may limit the number of PCL Notes that will be redeemed. If the number of PCL Notes requested to be redeemed in the redemption notices provided is more than the determined limit, PCL must redeem such lesser number pro-rata as between the PCL Noteholders who gave such redemption notices.</p>
Compulsory early redemption	<p>PCL Notes can be redeemed by PCL prior to the Maturity Date (which as the meaning given in the PCL Note Trust Deed) by giving Noteholders a redemption notice between 28 and 7 days prior to any Interest Payment Date (which has the meaning given in the PCL Note Trust Deed).</p> <p>In such case, the date of redemption of the PCL Notes will be the Interest Payment Date immediately following the date of the redemption notice.</p> <p>Unless PCL is redeeming all PCL Notes, it must redeem the PCL Notes pro-rata as between PCL Noteholders.</p>
Payment on redemption	Where a PCL Note is redeemed PCL will pay to the PCL Noteholder \$6.50 (being the face value of the PCL Note) plus the amount of any capitalised interest plus the amount of any interest accrued but unpaid as at that date.
Transfer	The PCL Notes will not be quoted on the ASX, but may be transferred by a written instrument in usual form or any other form that the PCL Directors approve.
Unlisted	The PCL Notes will not be quoted on the ASX.
Unsecured	The PCL Notes are unsecured.

Subordination	The PCL Notes will be subordinated to PCL's secured creditors and will rank in priority to all of PCL's shares in the event of a winding up. The PCL Notes will rank pari passu with each other and with all other unsecured creditors of PCL.
No participation	PCL Notes carry no right to participate in any issue of securities or capital reconstructions or reorganisations of PCL.

PCL has appointed a trustee for the PCL Notes pursuant to the PCL Note Trust Deed. A summary of the key provisions of the PCL Note Trust Deed is included in section 19.2.

7.4 **Independent Expert**

The Independent Directors have commissioned the Independent Expert (Grant Thornton), to prepare a report to ascertain whether the Preference Scheme is in the best interests of Preference Scheme Shareholders.

The Independent Expert has concluded that the Preference Scheme is fair and reasonable and hence in the best interests of Preference Scheme Shareholders.

The Independent Expert's Report is set out in Annexure A of this Explanatory Booklet.

7.5 **Key conditions**

Implementation of the Preference Scheme is inter-conditional with the implementation of the Ordinary Scheme, meaning that the Transaction as a whole is subject to a number of conditions precedent including (but not limited to):

- Voting Shareholders approving the Ordinary Scheme by the Requisite Majority;
- Voting Shareholders approving the Preference Scheme by the Requisite Majorities;
- the Court approving the Schemes;
- Voting Shareholders approving the Financial Assistance Resolution by the Requisite Majority;
- Voting Shareholders approving the Capital Reduction Resolution and the Cancellation Resolution by the Requisite Majorities; and
- no Prescribed Occurrence occurring.

Further information about the conditions to the Schemes including those conditions that have been satisfied at the date of this Explanatory Booklet is set out in section 18.1.

7.6 **Dividends**

If the directors resolve to declare a dividend and subject to the requirements of the terms of issue of the Preference Shares, Preference Shareholders will, continue to receive the quarterly dividends payable on their Preference Shares. At the current dividend rate of 7%, this quarterly dividend is \$0.13125 per Preference Share. PCL has agreed that any quarterly dividends payable before the implementation of the Schemes will be paid in cash, and not with further issues of Preference Shares. The next dividend is scheduled to be paid on 3 December 2016 and will be unfranked.

If the Preference Scheme is implemented on a date other than a scheduled dividend payment date, then on the Preference Scheme Implementation Date, Preference Shareholders will receive a pro-rata cash payment of the dividend for the dividend period in which the implementation occurs (pro-rated up to, but excluding, the Preference Scheme Implementation Date). For further information on the calculation of this pro-rata dividend amount, see section 7.2 of this Booklet.

If the Schemes are implemented, the Preference Shares will be cancelled and there will be no further rights to any dividends.

7.7 Funding for the Preference Scheme

The cash component of the Preference Scheme Consideration will be paid from PCL's internal cash reserves.

7.8 Deferred cash consideration for previous buy-back

The Preference Shares were issued as part consideration for Ordinary Shares that were accepted into PCL's buy-back offer dated 4 May 2015 (**Buy-back**). Under the terms of the Buy-back, cash consideration was also payable in respect of Ordinary Shares accepted into the Buy-back. The second and final instalment of the deferred cash consideration (\$0.70 for each Ordinary Share accepted into the Buy-back) is scheduled to be paid on 3 December 2016. Under the Scheme Implementation Deed, PCL has agreed to pay the second deferred cash consideration on the earlier of the Preference Scheme Implementation Date or 3 December 2016. The obligation of PCL to make this payment is not affected by the Schemes but actual payment may be brought forward by the process of implementation of the Schemes.

7.9 Implementation, timetable and procedures

If the Schemes are approved by Voting Shareholders and the Court, and all other conditions to the Schemes are satisfied or (where applicable) waived, it is expected that the Preference Scheme will be implemented on or around 23 November 2016. The key indicative dates and times in relation to the Schemes are set out at the beginning of this Explanatory Booklet. Further information on the procedures for implementing the Schemes are set out in section 17.

7.10 Tax implications

A summary of relevant tax implications provided by PCL's tax advisors for Preference Scheme Shareholders is contained in section 14. Shareholders should always seek their own professional advice regarding their individual tax consequences before they make any decision relating to their shares.

8. Meeting and voting information for the Preference Scheme and related Transaction Resolutions

8.1 Meetings

There are four meetings comprising the Transaction Meetings:

- the Ordinary Scheme Meeting;
- the General Meeting;
- the Preference Scheme Meeting; and
- the Preference General Meeting.

Each meeting will be held at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127 on 31 October 2016, commencing with the Ordinary Scheme Meeting at 10.30am. The meetings will be held consecutively.

Preference Shareholders will only be entitled to vote at the Preference Scheme Meeting, the Preference General Meeting and on the Capital Reduction Resolution to be put to Shareholders at the General Meeting. The General Meeting is scheduled to begin at 10.45am, or as soon as reasonably practicable after the conclusion of the Ordinary Scheme Meeting. The Preference Scheme Meeting is scheduled to begin at 11.00am or as soon as reasonably practicable after the conclusion of the General Meeting and the Preference General Meeting is scheduled to begin at 11.15am, or as soon as reasonably practicable after the conclusion of the Preference Scheme Meeting.

The notices convening the Preference Scheme Meeting, the Preference General Meeting and the General Meeting are contained in Annexure I, Annexure H and Annexure G of this Explanatory Booklet respectively.

8.2 Requisite Majorities

(a) General Meeting

At the General Meeting the Capital Reduction Resolution must be approved by at least 75% of the total number of votes cast by Voting Shareholders present and voting at the General Meeting (in person or by proxy, corporate representative or attorney) (which will include Ordinary Shareholders and Preference Shareholders), with no votes being cast in favour of the Capital Reduction Resolution by Preference Shareholders or their Associates. Any votes cast in favour of the Capital Reduction Resolution by Preference Shareholders or their Associates will be disregarded. The Bellawest Associates are excluded from voting on the Capital Reduction Resolution.

At the General Meeting, Preference Shareholders will not be entitled to vote on the Financial Assistance Resolution. The Bellawest Associates are excluded from voting on the Financial Assistance Resolution.

(b) Preference Scheme Meeting

At the Preference Scheme Meeting, the Preference Scheme Resolution will be proposed and must be approved by:

- unless the Court orders otherwise, a majority in number (more than 50%) of Voting Shareholders present and voting at the Preference Scheme Meeting (in person or by proxy, corporate representative or attorney); and
- at least 75% of the total number of votes which are cast by Voting Shareholders.

The Bellawest Associates are excluded from voting on the Preference Scheme Resolution.

(c) **Preference General Meeting**

At the Preference General Meeting, the Cancellation Resolution will be proposed and must be approved by at least 75% of the total number of votes cast by Voting Shareholders present and voting at the Preference General Meeting (in person or by proxy, corporate representative or attorney) with no votes being cast in favour by the Bellawest Associates.

8.3 Ordinary Shareholders

Ordinary Shareholders will not be entitled to vote at the Preference Scheme Meeting or the Preference General Meeting. Ordinary Shareholders will be entitled to vote on the Capital Reduction Resolution, however any votes cast in favour of the Capital Reduction Resolution by an Ordinary Shareholder who also holds Preference Shares or their Associates will be disregarded.

8.4 Entitlement to vote

If you are registered as a Preference Shareholder (other than Bellawest Associates) as at 7.00pm (Sydney time) on 29 October 2016 (being the Voting Entitlement Time), you will be entitled to vote on the Preference Scheme Resolution at the Preference Scheme Meeting, the Cancellation Resolution at the Preference General Meeting and the Capital Reduction Resolution at the General Meeting.

Voting is not compulsory. You can vote:

- in person;
- by appointing a proxy to vote for you;
- by representative (if you are a corporate Shareholder); or
- by attorney.

You will be counted as being present at the Preference Scheme Meeting, Preference General Meeting or General Meeting if you vote in any of the ways outlined above.

In the case of Preference Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held Preference Shares, only the vote of the shareholder whose name first appears in the Register will be counted.

8.5 Voting in person, by attorney or as a corporate representative

If you are entitled to vote and wish to do so in person, you should attend the General Meeting, the Preference Scheme Meeting and Preference General meeting commencing from 10.45am on 31 October 2016.

A body corporate which is a Preference Shareholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. If you are attending as a corporate representative, please bring evidence of your appointment, including any authority under which the appointment was made.

Attorneys who plan to attend the Preference Scheme Meeting, Preference General Meeting and/or the General Meeting should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote.

8.6 Voting by proxy

Proxy Forms are included with this document. If you wish to appoint a proxy to attend and vote at the meetings, complete the relevant Proxy Forms.

To be valid proxy forms must be received no later than:

- 10.45am on 29 October 2016 in respect of the General Meeting (yellow Proxy Form);
- 11.00am on 29 October 2016 in respect of the Preference Scheme Meeting (green Proxy Form); and
- 11.15am on 29 October 2016 in respect of the Preference General Meeting (purple Proxy Form).

Proxy Forms, duly completed in accordance with the instructions set out on the proxy form, may be returned to the Registry:

- by posting them to GPO Box 3993 Sydney NSW 2001;
- by delivering them by hand to Level 12, 225 George Street, Sydney NSW 2000;
- by faxing them to +61 2 9290 9655; or
- by lodging them online via the website set out on the relevant proxy form.

If an attorney signs a Proxy Form on your behalf, a copy of the authority under which the Proxy Form was signed must be received by Registry at the same time as the Proxy Form (unless you have already provided a copy of the authority to PCL).

8.7 Undirected proxies

If a proxy appointment is signed by or validly authenticated by a Preference Shareholder but does not name the proxy or proxies in whose favour it is given, the chairman of the Preference Scheme Meeting, Preference General Meeting or General Meeting (as applicable) may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Independent Directors or the PCL Company Secretary.

It is expected that Mr. Chris Gabriel will act as chairman of the Preference Scheme Meeting, Preference General Meeting and the General Meeting.

If:

- a Preference Shareholder nominates the chairman of the Preference Scheme Meeting, Preference General Meeting and/or General Meeting (as applicable) as the Preference Shareholder's proxy; or
- a proxy appointment is signed by a Preference Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the proxy form,

the person acting as chairman in respect of an item of business at the Preference Scheme Meeting, Preference General Meeting and/or General Meeting (as applicable) must act as proxy under the appointment in respect of that item of business.

Proxy appointments in favour of the chairman of the Preference Scheme Meeting, Preference General Meeting and/or General Meeting (as applicable), the PCL Company Secretary or any Director which do not contain a direction:

- will be voted in favour of the Preference Scheme Resolution at the Preference Scheme Meeting;
- will be voted in favour of the Cancellation Resolution at the Preference General Meeting; and
- will abstain from voting in respect of the Capital Reduction Resolution, as, pursuant to section 256C(2)(a) of the Corporations Act, any votes cast in favour of the Capital Reduction Resolution by Preference Shareholders will be disregarded.

8.8 How to vote in favour of the Transaction

Preference Shareholders who wish to follow the Independent Directors' recommendation and vote in favour of the Transaction should:

- abstain from voting on the Capital Reduction Resolution.
- vote in favour of the Preference Scheme Resolution; and
- vote in favour of the Cancellation Resolution.

Preference Shareholders who also hold Ordinary Shares should also should abstain from voting on the Capital Reduction Resolution.

8.9 How to vote against the Transaction

Preference Shareholders who wish to vote against the Transaction should vote against the:

- Capital Reduction Resolution.
- Preference Scheme Resolution; and
- Cancellation Resolution.

9. Reasons to vote for and against the Transaction Resolutions relevant to the Preference Scheme

9.1 Introduction

The purpose of this section 9 is to identify significant issues for Voting Shareholders to consider in relation to the resolutions proposed at the Preference Scheme Meeting, the Preference General Meeting and the General Meeting.

9.2 Independent Directors' recommendations and intentions

Having regard to all the considerations, the Independent Directors have unanimously determined that the Preference Scheme is in the best interests of Preference Scheme Shareholders and unanimously recommend that Preference Shareholders vote in favour of the Preference Scheme, the Cancellation Resolution and the Capital Reduction Resolution, in the absence of a Superior Proposal, for the reasons set out in section 9.3.

As at the date of this Explanatory Booklet Roger Short has a relevant interest in 30,000 Preference Shares, the legal holder of which is Jurocorp Pty Limited and Roger Short intends to vote, or procure the voting of, all Preference Shares controlled by him at the time of the Preference Scheme Meeting and the Preference General Meeting in favour of the Preference Scheme and the Cancellation Resolution, in the absence of a Superior Proposal. Roger Short will abstain from voting on the Capital Reduction Resolution at the General Meeting as Jurocorp also holds Ordinary Shares. Chris Gabriel does not hold any Shares.

9.3 Key reasons to vote in favour of the Transaction Resolutions relevant to the Preference Scheme

(a) The Independent Expert's conclusion

The Independent Expert, Grant Thornton, has reviewed the terms of the Preference Scheme and concluded that the Preference Scheme is fair and reasonable and hence in the best interests of Preference Scheme Shareholders.

A copy of the Independent Expert's Report is set out in Annexure A. This report should be read in its entirety, including the assumptions on which the conclusions are based.

(b) Certainty and immediate value of cash consideration

Preference Scheme Shareholders will receive some of their Preference Scheme Consideration in cash. The certainty of cash consideration should be compared against the current risk and uncertainties of remaining a Preference Shareholder, which include, but are not limited to the risks set out in section 15.

(c) Fixed face value and provide a fixed rate of return

The PCL Notes carry with them a fixed rate of return of 7.5% per annum. In comparison, there is no certainty that dividends will be declared on the Preference Shares. If the Schemes are not implemented, there is no certainty that dividends will be paid in cash rather than by the issue of additional Preference Shares.

(d) Fixed date set for redemption of PCL Notes

The PCL Notes are required to be redeemed at their full face value of \$6.50 after four years. In comparison, there is no obligation on PCL to elect to exercise its call option to buy-back or otherwise redeem the Preference Shares.

(e) **No Competing Proposal or Superior Proposal has emerged**

As at the date of this Explanatory Booklet, no Competing Proposal has been received by PCL and the Independent Directors are not aware of any Competing Proposal that is likely to be made. It is not expected that another proposal will be received given that the significant existing shareholding of the Bellawest Associates (49.93% as at the date of his Explanatory Booklet) makes proposing an alternative transaction unattractive to Third Parties.

9.4 **Key reasons to vote against the Transaction Resolutions**

(a) **You may disagree with the Independent Directors' unanimous recommendation or the Independent Expert's conclusion.**

(b) **You may prefer the terms of the Preference Shares to the terms of the PCL Notes**

The PCL Notes have a fixed rate of return of 7.5% whereas the dividend rate on the Preference Shares (currently 7%) increases 1% each year until it reaches a maximum of 12%. Preference Shareholders may prefer to retain Preference Shares and the potential to receive this higher rate of return (either in cash or additional Preference Shares) if dividends are declared.

(c) **PCL Notes**

Preference Shareholders are not given an election with respect to the consideration offered in respect of the Preference Scheme and, therefore, must take some consideration in the form of PCL Notes if the Schemes are implemented. You may consider the risks associated with holding PCL Notes (as set out in section 16) outweigh the potential benefits of the Schemes.

(d) **Conditions to Schemes, including funding arrangements**

The proposal is subject to various conditions that you may consider to be inappropriate, including the funding arrangements under which Payce Finance will provide financial assistance to Bellawest to fund the Ordinary Scheme.

(e) **Potential taxation consequences:**

If the Transaction is approved and implemented, Preference Scheme Shareholders will have their Preference Shares cancelled in consideration for cash and PCL Notes. Section 14 of this Explanatory Booklet provides a general outline of the likely tax consequences if the Transaction is approved and implemented. These consequences may not be favourable to you. You should read section 14 and seek professional taxation advice with respect to your individual tax situation.

(f) **Ordinary Scheme**

If you also hold Ordinary Shares, you may not want the Ordinary Scheme to be implemented and, therefore, may choose to vote against all the Transaction Resolutions.

9.5 **Other relevant considerations**

(a) **All or nothing proposal**

If the Preference Scheme is approved by the Requisite Majority of Voting Shareholders and by the Court and all of the other conditions to the Preference

Scheme (including the approval of the Ordinary Scheme by the Requisite Majority of Voting Shareholders) are either satisfied or waived (where applicable):

- the Preference Scheme will bind all Preference Scheme Shareholders, including those who do not vote on the Preference Scheme Resolution and those who vote against it, meaning that all Preference Scheme Shareholders will have their Preference Shares cancelled and will receive the Preference Scheme Consideration; and
- PCL will become a Subsidiary of Bellawest and will be delisted from ASX.

If any of the conditions to the Preference Scheme are not satisfied or waived (where applicable), the Scheme Implementation Deed may be terminated and the Preference Scheme will not be implemented.

10. Information about PCL

10.1 General

PCL is engaged in the development and sale of residential, retail and commercial property within Sydney and Queensland. PCL is listed on the ASX. Copies of announcements made by PCL to the ASX are available on the ASX website (www.asx.com.au) (trading symbol on the ASX is "PAY") or at www.payce.com.au.

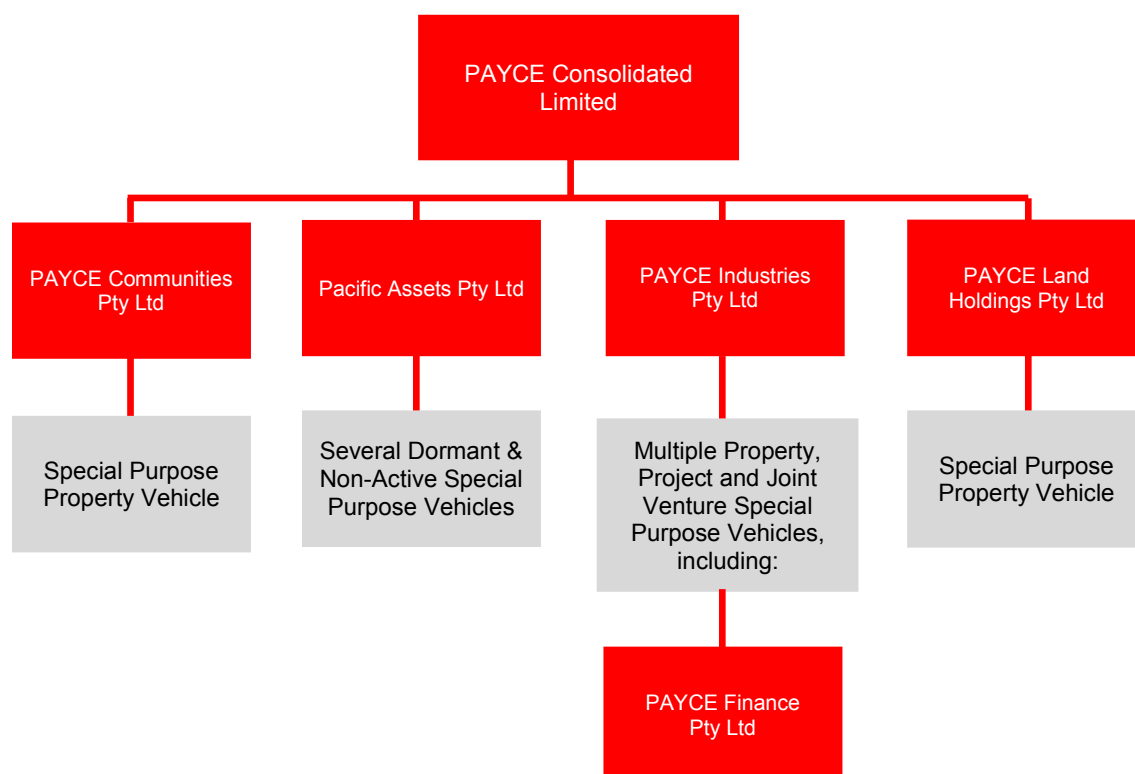
10.2 Organisation

PCL is the holding company of an Australian property group whose business model focuses on medium to long term medium density apartment and mixed use (retail/commercial) product and urban renewal projects within Sydney and Queensland.

Since 2000, PCL has successfully delivered in excess of 2,500 residential and mixed use apartments across Sydney and PCL aims to deliver over 7,500 residential and mixed use apartments over the next five years at Riverwood (Washington Park), Ermington, Wentworth Point, Kirrawee, Auburn, Melrose Park, Thornton, Baulkham Hills and Castle Hill in Sydney.

10.3 Corporate structure

Set out below is a diagrammatic representation of the PCL corporate Group:



10.4 Business strategy

PCL's business model focuses on medium to long term medium density apartment and mixed use (retail/commercial) product and urban renewal projects. PCL focuses on property developments within Sydney and Queensland including large urban renewal and community projects.

PCL is a provider of residential and mixed use development product.

10.5 PCL project experience

The below table provides a summary of the development projects completed by PCL since 2000:

Project description	Completed
Corfu, 54 unit residential development located at Marine Parade, Wentworth Point, Sydney	2002
Santorini and Portofino, 58 unit residential and commercial development, Wentworth Point, Sydney	2003
Mykonos, 79 unit residential development on Amalfi Drive, Wentworth Point, Sydney	2004
Positano / Monaco / Monte Carlo, 101 unit residential development located at The Piazza, Wentworth Point, Sydney	2004
Capri, 87 unit residential development located on Bennelong Road, Wentworth Point, Sydney	2004
Sorrento, 120 unit residential and commercial development on Hill Road, Wentworth Point, Sydney	2006
Paros, 131 unit residential development on Hill Road, Wentworth Point, Sydney	2006
Palermo, 245 unit residential and commercial development on Hill Road, Wentworth Point, Sydney	2007
Valencia, 173 unit residential development on Marine Parade, Wentworth Point, Sydney	2007
The Artisan, 129 unit residential development on Blackwall Point Road, Chiswick, Sydney	2011
APEX, 153 unit residential/commercial development on Defries Avenue, Victoria Park, Sydney	2012
Meridian, 123 unit social housing residential development, Kentucky Road, Washington Park, Riverwood, Sydney	2013
East Village, 206 unit residential and mixed use retail / commercial development in Victoria Park, Sydney	2014
Platinum, 322 unit residential development in Victoria Park, Sydney	2014
Como, 197 unit residential development, Kentucky Road, Washington Park, Riverwood, Sydney	2015
Fairmount, 192 unit residential development, Vermont Crescent, Washington Park, Riverwood, Sydney	2015

Project description	Completed
Sierra, 62 Unit Residential Development, Ermington, Sydney	2016

10.6 PCL Board

The PCL Board comprises two non-executive independent directors, and the executive Managing Director and Chairman, Brian Boyd.

Name	Position and biography
Brian Boyd	<p>Executive Chairman and Managing Director</p> <p>Brian was appointed Managing Director and Director in 1987 and on 8 July 2010 Chairman of the PCL Board. Prior to this appointment, Brian was a director and major shareholder in Paynter Dixon and a director of Santa Sabina College in Sydney, where he held the position of Chairman of their property committee.</p> <p>Brian has been involved in the property development industry for over 35 years, with extensive experience in commercial, residential, mixed use and industrial property transactions and development.</p>
Roger Short	<p>Non-Executive Director</p> <p>Roger Short was appointed as a Director in 1996. He practised as a lawyer for over 35 years and was involved in large scale property development projects and commercial and public infrastructure, retiring from practice with McCullough Robertson in 2005. He has been a director of public companies for more than 25 years and continues to be involved in company governance in the construction and infrastructure industries. During the past 5 years Roger served as a director of Sedgman Limited.</p>
Chris Gabriel	<p>Non-Executive Director</p> <p>Chris Gabriel was appointed as a Director on 8 July 2010. Chris has over 30 years of advisory, accounting and tax experience across a broad spectrum of industries. Chris has been a Fellow with the Institute of Chartered Accountants Australia & New Zealand since 1973, has been a principal in practice since 1976 and is a registered company auditor.</p>

10.7 PCL Directors' interests

As at the date of this Explanatory Booklet, PCL Directors held interests in securities of PCL as follows:

	Interests in Ordinary Shares	Interests in Preference Shares
Brian Boyd	9,905,460	1,245,000
Roger Short	35,000	30,000
Chris Gabriel	Nil	Nil

Please also refer to section 19.3(b) regarding the interests of PCL Directors in Bellawest.

10.8 PCL's issued securities

As at the date of this Explanatory Booklet, the issued securities of PCL comprise:

- 19,839,827 Ordinary Shares;
- 9,905,398 Preference Shares.

PCL is under no obligation to issue further Shares before the implementation of the Schemes.

10.9 PCL's substantial shareholders

As at the date of the Explanatory Booklet, to the knowledge of the Directors, the Substantial Shareholders of PCL are:

Shareholder	Number of Ordinary Shares	% of Ordinary Shares held
Lanox Pty Ltd	8,806,799	44.389%
Hurlcla Pty Limited	3,580,000	18.045%
KMSJ Pty Ltd	1,908,523	9.620%
Ruz Pty Limited	1,098,661	5.538%

10.10 Historical Financial information

(a) Basis of preparation

The financial information set out below is a summary only. The full financial accounts for the PCL Group for the financial years ended 30 June 2016 and 30 June 2015, including the notes to those accounts, can be found in PCL's 2016 Full Year Statutory Accounts (released to ASX on 10 August 2016) and PCL's 2015 Full Year Statutory Accounts (released to ASX on 21 August 2015).

The financial statements of the PCL Group for the financial years ended 30 June 2016 and 30 June 2015 were audited in accordance with Australian accounting standards.

(b) Consolidated statement of comprehensive income

The summarised historical consolidated statements of comprehensive income of the PCL Group which are set out:

- in the second column of the table below, reflect the audited financial statements of the PCL Group for the year ended 30 June 2015 and have been extracted from PCL's 2015 Full Year Statutory Accounts; and
- in the third column of the table below, reflect the audited financial statements of the PCL Group for the year ended 30 June 2016 and have been extracted from PCL's 2016 Full Year Statutory Accounts.

Income statement (\$'000s)

FY15

FY16

Continuing operations

Income statement (\$'000s)		
	FY15	FY16
Revenue	403,168	378,406
Cost of sales	(302,481)	(274,971)
Gross profit	100,687	103,435
Other income	117	2,667
Gain on fair value of investment property	58,594	72,030
Administration expenses	(15,469)	(44,584)
Property expenses	(4,796)	(5,135)
Marketing expenses	(12,601)	(13,787)
Share of (losses)/profits of equity accounted investments	21,823	532
Profit on sale of investment	-	31,586
Impairment loss on financial asset	(1,000)	(1,000)
Profit before tax and net financing costs	147,355	145,744
Finance income	2,973	2,026
Finance costs	(12,486)	(21,988)
Loss on fair value of derivative financial instruments	(4,498)	(1,992)
Net financing costs	(14,011)	(21,954)
Profit before income tax	133,344	123,790
Income tax expense	(38,368)	(37,310)
Profit for the year	94,976	86,480

(c) **Consolidated statement of financial position**

The summarised historical consolidated statements of financial position of the PCL Group which are set out:

- in the second column of the table below, reflect the audited financial statements of the PCL Group for the year ended 30 June 2015 and have been extracted from PCL's 2015 Full Year Statutory Accounts; and
- in the third column of the table below, reflect the audited financial statements of the PCL Group for the year ended 30 June 2016 and have been extracted from PCL's 2016 Full Year Statutory Accounts.

Balance sheet (\$'000s)		
	FY15	FY16
Current assets		
Cash and cash equivalents	52,469	28,672
Trade and other receivables	10,851	105,286

Balance sheet (\$'000s)		
	FY15	FY16
Properties held for development and resale	85,389	93,326
Investments accounted for using the equity method	85	14
Assets held for sale	-	311,926
Other assets	2,728	8,970
Total current assets	151,522	548,194
Non-current assets		
Trade and other receivables	27,943	34,260
Properties held for development and resale	181,184	354,647
Investments accounted for using the equity method	2,013	2,576
Property, plant and equipment	7,477	15,951
Investment property	235,000	-
Financial assets	1,022	167
Other assets	11,783	14,185
Total non-current assets	466,422	421,786
Total assets	617,944	969,980
Current liabilities		
Trade and other payables	53,895	213,082
Financial liabilities	62,075	174,076
Provisions	1,155	1,319
Liabilities held for sale	-	2,140
Total current liabilities	117,125	390,617
Non-current liabilities		
Trade and other payables	6,934	-
Financial liabilities	263,290	227,440
Derivative financial liabilities	4,498	6,490
Provisions	46	58
Deferred tax liability	32,253	69,563
Total non-current liabilities	307,021	303,551
Total liabilities	424,146	694,168
Net assets	193,798	275,812
Equity		
Issued Capital	103,916	103,916
Reserves	2,042	2,038
Retained earnings	84,535	164,337
Total equity attributable to equity holders of the Company	190,493	270,291
Non-controlling interests	3,305	5,521
Total equity	193,798	275,812

(d) **Consolidated statement of cash flows**

The summarised historical consolidated statements of cash flows of the PCL Group which are set out:

- in the second column of the table below, reflect the audited financial statements of the PCL Group for the year ended 30 June 2015 and have been extracted from PCL's 2015 Full Year Statutory Accounts; and
- in the third column of the table below, reflect the audited financial statements of the PCL Group for the year ended 30 June 2016 and have been extracted from PCL's 2016 Full Year Statutory Accounts.

Cashflow statement (\$'000s)	FY15	FY16
Cash flows from operating activities		
Receipts from customers	415,354	265,276
Payments to suppliers and employees	(270,651)	(224,493)
Payments for the acquisition of development properties	(62,756)	(73,787)
Loans to fund property development activities	(23,878)	(17,485)
Repayment of loans funding property development activities	26,335	81
Finance income received	2,973	2,026
Finance costs paid	(29,559)	(34,882)
Net cash (used in) / provided by operating activities	57,818	(83,264)
Cash flows from investing activities		
Dividends and distributions received	20,866	291
Payments for investment property	-	(4,365)
Payments for the acquisition of property, plant and equipment	(2,230)	(8,150)
Net cash (used in) / provided by investing activities	18,636	(12,224)
Cash flows from financing activities		
Proceeds from borrowings	337,608	231,160
Repayment of borrowings	(370,784)	(155,009)
Distributions paid to minority equity interest	(5,177)	-
Repurchase of ordinary shares	(7,924)	-
Transaction cost associated with share buy back	(502)	-
Dividends paid to shareholders	(2,975)	(4,460)
Net cash raised in / (repaid) in financing activities	(49,754)	71,691

Cashflow statement (\$'000s)		
	FY15	FY16
Net increase in cash held	26,700	(23,797)
Cash at beginning of financial year	25,769	52,469
Cash at end of financial year	52,469	28,672

10.11 Update in relation to in financial position and financial performance

To the knowledge of the Directors, other than as disclosed in this Explanatory Booklet and ASX, there has been no material change to the financial position of PCL since 30 June 2016, being the date of the last published balance sheet of PCL.

Since 30 June 2016 the following material events have occurred:

- On 1 July 2016, the PCL Group completed the sale of a joint venture interest to Mirvac Group in the East Village Retail and Commercial Centre at Zetland, Sydney for \$154.7 million.
- On 14 July 2016, the PCL Group completed the acquisition, in a joint venture with Sekisui House, of a 4.5 hectare mixed use zoned development site in Melrose Park, Sydney for \$160 million.

10.12 Further information

As an ASX listed company and a “disclosing entity” under the Corporations Act, PCL is subject to regular reporting and disclosure obligations. Broadly these require it to announce price sensitive information to ASX as soon as it becomes aware of the information subject to exceptions for certain confidential information. PCL’s most recent announcements are available from its website www.payce.com.au. Further announcements concerning PCL will continue to be made available on the website after the date of this Explanatory Booklet.

ASX maintains files containing publicly available information about entities listed on its exchange. PCL’s files are available for inspection at the ASX during normal business hours and are available on the ASX website (www.asx.com.au, trading symbol on the ASX is “PAY”).

Additionally, copies of documents lodged with ASIC in relation to PCL may be obtained from or inspected at ASIC. Please note, ASIC may charge a fee in respect of such services.

The following documents are available for inspection and can also be obtained free of charge prior to the Scheme being approved by order of the Court by contacting PCL by telephone: +61 2 8080 2380 or by email at: Jlane@payce.com.au):

- Constitution of PCL.
- PCL’s financial report for the year ended 30 June 2016.
- PCL’s public announcements.

The annual and half year reports and public announcements are also available from PCL’s website www.payce.com.au or PCL’s profile on ASX at www.asx.com.au (trading symbol on ASX is “PAY”).

11. Information about Bellawest and its Associates

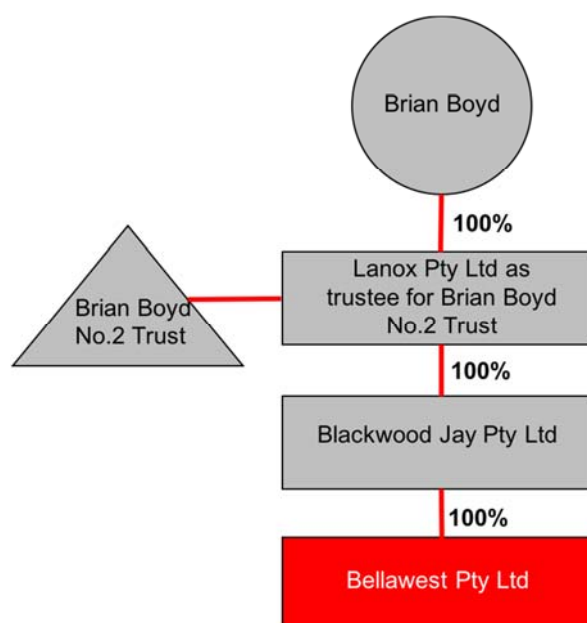
The Bellawest Information, including the information in this section 11 of the Explanatory Booklet, has been prepared and provided by Bellawest and is the responsibility of Bellawest.

11.1 Profile of Bellawest

Bellawest is an Australian investment holding company. It was incorporated on 1 June 2016 as a special purpose vehicle to facilitate the acquisition of Ordinary Shares under the Ordinary Scheme. Bellawest has not undertaken any other activities since its incorporation.

11.2 Capital structure and ownership

Bellawest is indirectly wholly owned by Lanox as trustee for the Brian Boyd No.2 Trust. Lanox is in turn wholly owned by Brian Boyd. The following diagram shows the current ownership structure of Bellawest, Lanox and Brian Boyd.



11.3 Senior management of Bellawest Group

As at the date of this Explanatory Booklet, the non-executive directors of Bellawest are Mark Morgan and Stephen Williams and the non-executive directors of Blackwood Jay Pty Ltd are Basil Klevansky and Stephen Wainwright. Stephen Williams has appointed Greg O'Meara to act as his alternate director for the period from 13 September 2016 until 7 October 2016.

No shares in Bellawest or Blackwood Jay are held by or on behalf of any of these directors.

Brian Boyd is the sole director of Lanox. See sections 10.6 and 10.7 for the biography of Brian Boyd and further details of his interests in Shares.

Name	Position and biography
Mark Morgan	Mark was admitted to practice as a solicitor in New South Wales in 1980. He is currently a partner at the law firm of Colin, Biggers & Paisley where he is a partner in the property and development team. He specializes in property development law, assisting clients with finance structures, purchase structures, acquisitions, planning issues,

Name	Position and biography
	subdivisions, building contracts, leasing, management, disposals, disputes and general advice. He is a former company secretary of PCL and a former director of Sekisui House Australia Holdings Pty Limited.
Stephen Williams	<p>Stephen graduated as a Town Planner in 1970 and has been involved in the property industry as a senior planner, consultant and developer for 45 years. He has been involved in the instigation and development of major property projects in Perth, Adelaide, Melbourne, Sydney and Brisbane.</p> <p>Stephen is an experienced company director. He is the founding director of Wingate Properties Pty Limited and previously served as the founding Managing Director of Hassell Planning Consultants Pty Limited and as a director of Sekisui House Australia Pty Limited.</p>
Basil Klevansky	<p>Since graduating as a quantity surveyor, Basil has had an extensive career in property development for over 40 years. He has a wealth of experience in this sector, having been responsible for delivering resort and residential property developments in South Africa, England, Spain, India and Australia. He was the General Manager of PCL from 2000 until 2011 and currently acts as Managing Director of LINK Marketing Services Pty Limited which focuses on project sales and marketing for off-the-plan residential developments.</p>
Stephen Wainwright	<p>Stephen is a financial consultant and advisor based in Sydney who has over 15 years' experience in senior financial executive roles. He is a member of the Institute of Chartered Accountants Australia & New Zealand and a member of the Australian Institute of Company Directors. He has been the CFO for several organisations, both public listed and proprietary companies, including the CFO and company secretary of PCL from 2002 until 2009, and the CFO of UCL Resources Limited and Sekisui House Australia Pty Limited. Stephen's expertise is in high growth organisations and attending to the requirements in assisting and managing that growth, including building and implementing relevant systems and processes and cashflow forecasting and management.</p>
Greg O'Meara	<p>Greg was admitted to practice as a solicitor in Queensland in 1989. He is currently the managing partner at the law firm of Connor O'Meara where he leads the Commercial Property team. He has previously acted for PCL and its related companies on Queensland property matters.</p>

11.4 Funding arrangements for Ordinary Scheme Consideration

If the Schemes are implemented, the cash component of the Ordinary Scheme Consideration will be funded by a loan to Bellawest from Payce Finance. Payce Finance, as lender and Bellawest as borrower entered into the Loan Agreement on 15 September 2016. Set out in the following table is a summary of the key terms of the Loan Agreement.

Lender	Payce Finance
Borrower	Bellawest

Maximum loan amount	\$120,000,000
Advance date	The loan will be made on or before the Business Day before the Ordinary Scheme Implementation Date.
Term	3 years
Interest rate and payment date	6% per annum, which accrues day to day and will be payable or capitalised in arrears on the last day of each Quarter of the term
Conditions	<p>The advance of the loan is conditional on:</p> <ul style="list-style-type: none"> • the Schemes becoming Effective; • approval of the Financial Assistance Resolution by Ordinary Shareholders; and • Bellawest providing Payce Finance with a nomination form setting out the amount of the loan by reference to the calculation of the cash required to pay Ordinary Scheme Shareholders who have elected cash consideration and details of the PCL trust account into which the loan is to be paid.

One of PCL's substantial shareholders, Hurlcla Pty Limited (ACN 003 098 762) has provided a binding undertaking to Bellawest, Lanox and PCL that, if the Schemes are implemented, Hurlcla will elect to take no less than 2,580,000 Bellawest Notes as Ordinary Scheme Consideration. As a result of this undertaking, the maximum amount to be advanced under the Loan Agreement is sufficient to meet all cash consideration payable under the Ordinary Scheme.¹

11.5 Rationale for Bellawest's proposed acquisition of PCL

The Schemes will provide Bellawest and Lanox with 100% ownership of PCL and the opportunity to streamline the administration and development of PCL's business.

11.6 Interests of the Bellawest Associates in PCL

(a) Relevant Interests of the Bellawest Associates in Ordinary Shares and Preference Shares

Lanox currently holds 8,806,799 Ordinary Shares. These shares **will not** be acquired as part of the Schemes.

Ruz, another Bellawest Associate, currently holds 1,098,661 Ordinary Shares and 1,245,000 Preference Shares. If the Schemes are implemented the Ordinary Shares held by Ruz will be acquired as part of the Ordinary Scheme and the 1,245,000 Preference Shares held by Ruz will be cancelled under the Preference Scheme.

Mark Morgan, a director of Bellawest, has a Relevant Interest in 500 Ordinary Shares and 11,000 Preference Shares, the legal holder of which is Hendron Pty.

¹ As at the date of this Explanatory Booklet, the total number of Ordinary Scheme Shares is 11,033,028, which equals the total number of Ordinary Shares excluding the Ordinary Shares held by the Non-Participating Shareholders. After subtracting the minimum number of Bellawest Notes to be elected by Hurlcla, 2,580,000, the maximum cash consideration that could be payable by Bellawest for all Ordinary Scheme Shares is \$106,508,152.80.

Limited (ACN 059 732 357). If the Schemes are implemented the Ordinary Shares held by Hendron will be acquired as part of the Ordinary Scheme and the Preference Shares held by Hendron will be cancelled under the Preference Scheme.

No other Bellawest Associate, including Bellawest and Blackwood Jay and their directors, holds Ordinary Shares or Preference Shares.

No Bellawest Associate will vote on the approval of the Schemes, the Financial Assistance Resolution, the Capital Reduction Resolution or the Cancellation Resolution.

(b) Dealings in Shares in the previous four months

Ruz sold 375,000 Preference Shares on 17 June 2016 for \$7.50 per Preference Share to CRB Superannuation Pty Ltd, as trustee for the Colleen Boyd Superannuation Fund.

Apart from the transaction above, neither Bellawest nor any of its Associates has acquired or disposed of a Relevant Interest in any Shares in the 4 month period ending on the date immediately before the date of this Explanatory Booklet.

(c) Arrangements between Bellawest (and its Associates) and the PCL Group

Bellawest has entered into the Loan Agreement with Payce Finance, a wholly owned subsidiary of PCL under which Payce Finance will provide a loan to Bellawest for the cash component of the Ordinary Scheme Consideration. The loan is subject to the Schemes becoming Effective and approval of the Financial Assistance Resolution. For further information, see section 11.4.

As set out in sections 10.6, Brian Boyd is the Executive Chairman of PCL. Details of the nature and the amount of his remuneration are contained in section 17.2 of PCL's financial report for the year ended 30 June 2016, which was released to the ASX on 10 August 2016.

In respect of the Bellawest Group directors:

- Colin, Biggers & Paisley, of which Mark Morgan is a partner, provides legal advice to the PCL Group;
- Stephen Williams, through his wholly owned entity Wingate Properties Pty Limited, is a 50% shareholder together with the PCL Subsidiary, Payce Industries Pty Limited, in PayWin Developments Pty Limited (ACN 149 491 752), a property development company (for further information, see Note 32 "Associates and Jointly Controlled Entities" to PCL's financial report for the year ended 30 June 2016, released to the ASX on 10 August 2016);
- Basil Klevansky, through Link Marketing Services Pty Ltd (ACN 132 110 500), provides project sales and marketing services to the PCL Group in relation to PCL property developments; and
- Stephen Wainwright, through SMW Corporate Services Pty Ltd (ACN 169 277 454), provides corporate finance and advisory services to the PCL Group.

To the best of Bellawest's knowledge, there are no other arrangements between Bellawest (and its Associates) and the PCL Group.

12. Information about the Merged Entity

12.1 Introduction

The Bellawest Information, including the information in this section 12 of this Explanatory Booklet, has been prepared and provided by Bellawest and is the responsibility of Bellawest.

12.2 Bellawest's post-acquisition intentions

This section 12 sets out Bellawest's intentions on the basis of facts and information existing as at the date of this Explanatory Booklet. Final decisions on Bellawest's intentions for PCL will only be made in light of all material facts and circumstances at the relevant time. Accordingly, the statements in this section are statements of the current intention only and may change as new information becomes available or circumstances change.

(a) Business and operations

Bellawest intends to maintain the existing PCL corporate structure, but with Bellawest as the holding company, and to carry on PCL's business in substantially the same manner as it is currently conducted. It intends to continue with PCL's existing business strategy and to acquire and develop property in accordance with a disciplined and financially moderate business model.

Bellawest does not immediately intend to make any major changes to the operations of PCL or to dispose of any parts of PCL's business.

(b) Employees

Bellawest does not have any employees as at the date of this Explanatory Booklet and does not intend to change this position. Bellawest does not intend to make any changes in respect of the employees of PCL once the Schemes have been implemented.

(c) PCL Board

Once the Schemes have been implemented, Bellawest may request that the independent directors of PCL resign from the board of PCL and be appointed as independent directors of Bellawest as the holding company of PCL.

(d) ASX Listing

Bellawest intends to arrange for the removal of PCL from the official list of the ASX after the Ordinary Scheme Implementation Date. Bellawest is an unlisted entity and intends to remain unlisted.

12.3 Merged Entity pro-forma financial information

This section 12.3 contains the unaudited pro-forma financial information for the Merged Entity, if the Schemes are implemented, which must be read in conjunction with the notes set out below.

The information in this section is a summary only and has been prepared solely for inclusion in this Explanatory Booklet.

BELLAWEST PTY LIMITED
PRO-FORMA MERGED ENTITY BALANCE SHEET
AS AT ORDINARY SCHEME IMPLEMENTATION DATE

	100% Bellawest Notes / 0% Cash	75% Bellawest Notes / 25% Cash	50% Bellawest Notes / 50% Cash	Bellawest Notes per Huricla Undertaking (23%) / 77% Cash
Current Assets				
Cash and cash equivalents	161,889	127,135	92,381	55,380
Trade and other receivables	12,786	12,786	12,786	12,786
Properties held for development and resale	623	623	623	623
Investments accounted for using the equity method	14	14	14	14
Other assets	8,970	8,970	8,970	8,970
Total Current Assets	184,282	149,528	114,774	77,773
Non-Current Assets				
Trade and other receivables	34,260	34,260	34,260	34,260
Properties held for development and resale	354,647	354,647	354,647	354,647
Investments accounted for using the equity method	158,851	158,851	158,851	158,851
Property, plant and equipment	15,951	15,951	15,951	15,951
Financial assets	167	167	167	167
Goodwill	12,085	12,085	12,085	12,085
Other assets	14,185	14,185	14,185	14,185
Total Non-Current Assets	590,146	590,146	590,146	590,146
Total Assets	774,427	739,673	704,919	667,919
Current Liabilities				
Trade and other payables	28,082	28,082	28,082	28,082
Financial liabilities	17,999	17,999	17,999	17,999
Provisions	1,319	1,319	1,319	1,319
Liabilities held for sale	2,140	2,140	2,140	2,140
Total Current Liabilities	49,540	49,540	49,540	49,540
Non-Current Liabilities				
Financial liabilities	312,240	312,240	312,240	312,240
PCL & Bellawest Notes	203,401	168,647	133,893	96,893
Derivative financial liabilities	6,490	6,490	6,490	6,490
Provisions	58	58	58	58

BELLAWEST PTY LIMITED
PRO-FORMA MERGED ENTITY BALANCE SHEET
AS AT ORDINARY SCHEME IMPLEMENTATION DATE

Deferred tax liability	87,655	87,655	87,655	87,655
Total Non-Current Liabilities	609,844	575,090	540,336	503,336
Total Liabilities	659,384	624,630	589,876	552,876
Net Assets	115,043	115,043	115,043	115,043
Equity				
Issued capital	82,616	82,616	82,616	82,616
Reserves	0	0	0	0
Retained earnings	0	0	0	0
Total equity attributable to equity holders of the Company	82,616	82,616	82,616	82,616
Non-controlling interest	32,428	32,428	32,428	32,428
Total Equity	115,043	115,043	115,043	115,043

The Pro-forma financial information has been prepared using the following information and assumptions:

- As Ordinary Scheme Shareholders are being provided with a choice of consideration forms, being cash or a Bellawest Note for each Ordinary Share held on the Record Date, the Merged Entity pro-forma financial information has been prepared for 4 scenarios of the mix between cash and Bellawest Notes being:
 - 100% Bellawest Notes and 0% Cash;
 - 75% Bellawest Notes and 25% Cash;
 - 50% Bellawest Notes and 50% Cash;
 - 23% Bellawest Notes and 77% Cash – this scenario has been prepared on the basis that Hurlcla Pty Limited under its Deed Poll takes 2,580,000 Bellawest Notes, and all other Ordinary Scheme Shareholders take cash as consideration.
- Whilst no final decision has been made, the above pro-forma balance sheet was prepared on the basis of 6,556,799 Ordinary Shares held by Lanox being transferred to Bellawest at the offer price of \$12.60.
- The pro-forma Merged Entity balance sheet has been determined to include PCL's audited financial statements for 30 June 2016 and adjusted to include:
 - Completion of sale of joint venture interest in East Village Shopping Centre on 1 July 2016 – Further details of which are set out in the ASX Announcement – Completion of sale of interest in East Village to Mirvac.

- Completion of purchase of joint venture interest in Melrose Park site on 14 July 2016 - Further details of which are set out in the ASX Announcement – Completion of acquisition of development site.
- Projected settlement proceeds and profits from joint venture interest in “Royal Shores” project at Ermington, NSW. Apartment settlements have commenced and are due to continue progressively until November 2016 (see section 6.1.2 of the Independent Expert’s Report for further details).

12.4 PAYCE Consolidated Limited pro-forma financial information

This section 12.4 contains the unaudited pro-forma financial information for PCL, if the Schemes are implemented, which must be read in conjunction with the notes set out below.

The information in this section is a summary only and has been prepared solely for inclusion in this Explanatory Booklet.

PAYCE CONSOLIDATED LIMITED PRO-FORMA BALANCE SHEET AS AT ORDINARY SCHEME IMPLEMENTATION DATE

	100% Bellawest Notes / 0% Cash	75% Bellawest Notes / 25% Cash	50% Bellawest Notes / 50% Cash	Bellawest Notes per Hurlcla Undertaking (23%) / 77% Cash
Current Assets				
Cash and cash equivalents	161,889	127,135	92,381	55,380
Trade and other receivables	12,786	12,786	12,786	12,786
Properties held for development and resale	623	623	623	623
Investments accounted for using the equity method	14	14	14	14
Other assets	8,970	8,970	8,970	8,970
Total Current Assets	184,282	149,528	114,774	77,773
Non-Current Assets				
Trade and other receivables	34,260	34,260	34,260	34,260
Bellawest Loan	0	34,754	69,508	106,508
Properties held for development and resale	354,647	354,647	354,647	354,647
Investments accounted for using the equity method	158,851	158,851	158,851	158,851
Property, plant and equipment	15,951	15,951	15,951	15,951
Financial assets	167	167	167	167
Other assets	14,185	14,185	14,185	14,185
Total Non-Current Assets	578,061	612,815	647,569	684,569
Total Assets	762,343	762,343	762,343	762,343

Current Liabilities

PAYCE CONSOLIDATED LIMITED
PRO-FORMA BALANCE SHEET
AS AT ORDINARY SCHEME IMPLEMENTATION DATE

Trade and other payables	28,082	28,082	28,082	28,082
Financial liabilities	17,999	17,999	17,999	17,999
Provisions	1,319	1,319	1,319	1,319
Liabilities held for sale	2,140	2,140	2,140	2,140
Total Current Liabilities	49,540	49,540	49,540	49,540
Non-Current Liabilities				
Financial liabilities	311,440	311,440	311,440	311,440
PCL Notes	64,385	64,385	64,385	64,385
Derivative financial liabilities	6,490	6,490	6,490	6,490
Provisions	58	58	58	58
Deferred tax liability	87,655	87,655	87,655	87,655
Total Non-Current Liabilities	470,028	470,028	470,028	470,028
Total Liabilities	519,568	519,568	519,568	519,568
Net Assets	242,775	242,775	242,775	242,775
Equity				
Issued capital	29,626	29,626	29,626	29,626
Reserves	2,038	2,038	2,038	2,038
Retained earnings	205,590	205,590	205,590	205,590
Total equity attributable to equity holders of the Company	237,254	237,254	237,254	237,254
Non-controlling interest	5,521	5,521	5,521	5,521
Total Equity	242,775	242,775	242,775	242,775

The Pro-forma financial information has been prepared using the following information and assumptions:

1. The cash component of the Ordinary Scheme Consideration will be funded by a loan to Bellawest from Payce Finance under the terms of the Loan Agreement (see section 11.4). As Ordinary Scheme Shareholders are being provided with a choice of consideration forms, being cash or a Bellawest Note for each Ordinary Share held on the Record Date, the PCL pro-forma financial information has been prepared for 4 scenarios of the mix between cash and Bellawest Notes being:
 - 100% Bellawest Notes and 0% Cash;
 - 75% Bellawest Notes and 25% Cash;
 - 50% Bellawest Notes and 50% Cash;
 - 23% Bellawest Notes and 77% Cash – this scenario has been prepared on the basis that Hurlcla Pty Limited under its Deed Poll takes 2,580,000 Bellawest

Notes, and all other Ordinary Scheme Shareholders take cash as consideration.

As the percentage of cash paid as Ordinary Scheme Consideration increases, the loan provided by Payce Finance to Bellawest also increases and is reflected as a Non-Current Asset within PCL's Balance Sheet.

2. The pro-forma PCL balance sheet has been determined to include PCL's audited financial statements for 30 June 2016 and adjusted to include:
 - Completion of sale of joint venture interest in East Village Shopping Centre on 1 July 2016 – Further details of which are set out in the ASX Announcement – Completion of sale of interest in East Village to Mirvac.
 - Completion of purchase of joint venture interest in Melrose Park site on 14 July 2016 – Further details of which are set out in the ASX Announcement – Completion of acquisition of development site.
 - Projected settlement proceeds and profits from joint venture interest in "Royal Shores" project at Ermington, NSW. Apartment settlements have commenced and are due to continue progressively until November 2016 (see section 6.1.2 of the Independent Expert's Report for further details).

13. What if the Schemes are not implemented?

13.1 What if the Schemes are not implemented?

If the Schemes are not implemented, you will retain your Shares and they will not be acquired by Bellawest, or cancelled as part of the Preference Scheme (as appropriate). While it is not possible to predict the future performance of PCL, in deciding whether or not to vote in favour of the Schemes you should have regard to the prospects of PCL if the Schemes are not approved or implemented, including the factors described below.

13.2 Strategy and intentions for PCL if the Schemes do not proceed

If the Schemes are not implemented, PCL will continue as a stand alone entity with management continuing to implement the business plan and financial and operating strategies it had in place prior to the announcement of the Transaction.

13.3 Implications if the Schemes are not implemented

If the Schemes are not implemented:

- Shareholders will continue to hold their Shares and be exposed to the general risks as well as risks specific to PCL, including those set out in this Explanatory Booklet; and
- Shareholders will not receive the Scheme Consideration.

Prior to the Transaction Meetings, transaction costs will have been incurred, or will be committed by, PCL in relation to the Schemes. Those transaction costs will be payable by PCL regardless of whether or not the Schemes become Effective and are implemented. However, Bellawest has agreed to pay to PCL \$350,000 if the Schemes do not become Effective on or before the End Date, as set out in section 18.3 of this Explanatory Booklet.

The Independent Directors are of the opinion that if the Schemes do not proceed, the price of Ordinary Shares on ASX may fall.

14. Taxation considerations for Australian residents

14.1 Overview

This section 14 provides a summary of the Australian tax implications for Scheme Shareholders in respect of the:

- proposed acquisition of Ordinary Scheme Shares by Bellawest; and
- selective capital reduction and cancellation of Preference Scheme Shares,

under the Scheme Implementation Deed.

Below is a general overview of the Australian income tax, Goods and Services Tax (**GST**) and stamp duty implications for Scheme Shareholders who are Australian residents for Australian tax purposes and hold their Ordinary Scheme Shares and/or Preference Scheme Shares on capital account.

The overview is an indicative guide and is not intended to be, and should not be seen as, a substitute for personal tax advice or specific tax advice for Scheme Shareholders. It is not intended to be an authoritative or exhaustive statement of the tax law applicable to all Scheme Shareholders. Accordingly, Scheme Shareholders should seek their own independent professional advice that considers the taxation implications arising from the disposal of their Scheme Shares, taking into account their own individual circumstances.

Taxation law is complex and subject to periodic change (including retrospectively), as is the interpretation of the law by the courts and revenue authorities. The comments below are based on the Australian taxation and duty legislation and administrative practices as at the date of this Explanatory Booklet. The comments do not take into account or anticipate changes in the taxation law or future judicial and administrative interpretations of the taxation law unless otherwise specified.

14.2 Shareholders not covered by this summary

The summary contained in this section 14 does not consider the tax implications for:

- Ordinary Shareholders who are not Ordinary Scheme Shareholders;
- Ordinary Shareholders that dispose of their Ordinary Shares before the Record Date;
- Preference Shareholders who are not Preference Scheme Shareholders; or
- Preference Shareholders that dispose of their Preference Shares before the Record Date.

In addition, this summary does not consider the tax implications for Scheme Shareholders who:

- are in the business of share trading, banking, dealing in securities or otherwise hold their Ordinary Scheme Shares and/or Preference Scheme Shares on revenue account or as trading stock;
- are tax residents of Australia that currently hold, or have held, Ordinary Scheme Shares and/or Preference Scheme Shares as part of an enterprise carried on, at or through a permanent establishment outside of Australia;
- are non-residents of Australia for tax purposes (including non-residents of Australia for tax purposes that currently hold, or have held, Ordinary Scheme Shares and/or Preference Scheme Shares as part of an enterprise carried on, at or through a permanent establishment in Australia);

- may be subject to special tax rules, such as financial institutions, insurance companies, listed investment companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated), temporary residents, or dealers in securities;
- are subject to the Taxation of Financial Arrangement (TOFA) rules contained in Division 230 of the Income Tax Assessment Act 1997 (Cth) (ITAA 1997) in relation to gains and losses on their Ordinary Scheme Shares and/or Preference Scheme Shares; or
- acquired the Ordinary Scheme Shares and/or Preference Scheme Shares through an employee share plan or employee share scheme.

14.3 **Summary of the Ordinary Scheme**

If the Ordinary Scheme is implemented, Ordinary Scheme Shareholders (other than Ineligible Foreign Shareholders and Non-Participating Shareholders) will receive, for each Ordinary Share held on the Record Date (i.e. Ordinary Scheme Share), either:

- cash consideration of \$12.60 (**Cash Consideration**); or
- an unsecured note issued by Bellawest with a face value of \$12.60 per note, 2 year maturity and attaching a coupon of 6.5% per annum (**Note Consideration**).

Ordinary Scheme Shareholders may elect to receive a combination of cash and Bellawest Notes (**Mixed Consideration**).

14.4 **Summary of the Preference Scheme**

If the Preference Scheme is implemented, Preference Scheme Shareholders (other than Ineligible Foreign Shareholders) will receive in connection with each Preference Scheme Share held on the Record Date:

- an unsecured note issued by PCL with a face value of \$6.50, 4 year maturity and attaching a coupon of 7.5% per annum; and
- a cash payment of \$1.00 plus an additional amount calculated to reflect the pro-rata amount of any dividend accrued and unpaid on the Preference Scheme Share up to the Preference Scheme Implementation Date.

14.5 **Tax implications for Australian resident Scheme Shareholders – Disposal of Ordinary Scheme Shares**

(a) **Capital Gains Tax (CGT)**

Ordinary Scheme Shareholders should, in respect of each Ordinary Scheme Share:

- make a capital gain from CGT event A1 if the capital proceeds from the disposal of their Ordinary Scheme Share to Bellawest is greater than the cost base of their Ordinary Scheme Share; or
- make a capital loss from CGT event A1 if the capital proceeds from the disposal of their Ordinary Scheme Share to Bellawest is less than the reduced cost base of their Ordinary Scheme Share.

CGT scrip-for-scrip rollover should not be available for an Ordinary Scheme Shareholder in respect of any consideration received for the disposal of their Ordinary Scheme Share.

The capital gain/loss should arise on the Ordinary Scheme Implementation Date of the Ordinary Scheme.

(b) Capital proceeds from the disposal of Ordinary Scheme Shares

Under the Ordinary Scheme, the capital proceeds will be any of the following amounts the Ordinary Scheme Shareholder has elected to receive on the Record Date:

- the Cash Consideration of \$12.60 for each Ordinary Scheme Share; and/or
- the Note Consideration valued at \$12.60 for each Ordinary Scheme Share.

(c) Cost base or reduced cost base in Ordinary Scheme Shares

An Ordinary Scheme Shareholder's cost base or reduced cost base of Ordinary Scheme Shares should be the amount paid to acquire the Ordinary Scheme Shares, as well as incidental costs (if any) incurred in relation to the acquisition or disposal of the Ordinary Scheme Shares. However, Ordinary Scheme Shareholders will need to consider if the cost base or reduced cost base of Ordinary Scheme Shares has been reduced in connection with any prior capital returns by PCL and seek their own independent professional tax advice in this regard as appropriate.

(d) CGT discount on capital gains

An Ordinary Scheme Shareholder who is an individual, complying superannuation fund or a trust, and who has held their Ordinary Scheme Shares for at least 12 months prior to the Ordinary Scheme Implementation Date, should be able to reduce any net capital gain (i.e. the capital gain after the application of current and prior year capital losses) on the disposal of their Ordinary Scheme Shares by the CGT discount.

Where the CGT discount rules apply, the rules should enable a net capital gain arising from the disposal of Ordinary Scheme Shares to be reduced as follows:

- 50% for individuals and trusts; and
- $33\frac{1}{3}\%$ for complying superannuation funds.

The CGT discount concession is not available to companies (including corporate beneficiaries of trusts).

(e) Capital gains and capital losses

Capital gains and capital losses of a taxpayer are aggregated to determine whether a taxpayer has a net capital gain or loss for that income year.

Prior to applying the CGT discount, an Ordinary Scheme Shareholder must offset their total capital gains against any available capital losses made in the relevant income year and/or any carry forward net capital losses. The net capital gain (after applying any capital losses and the CGT discount) should be included in the Ordinary Scheme Shareholder's assessable income in the income year in which the Ordinary Scheme Shares are disposed of.

An Ordinary Scheme Shareholder who makes a capital loss can only use that capital loss to offset other capital gains. Any excess capital losses incurred by an Ordinary Scheme Shareholder in the 2017 income year may be able to be carried

forward for use in future income years and offset against future capital gains (subject to the satisfaction of various loss recoupment rules).

Scheme Shareholders should seek their own independent professional tax advice in relation to the operation of these rules.

14.6 Tax implications in respect of the Preference Scheme Consideration

(a) Dividend component

The component of the Preference Scheme Consideration comprising the accrued dividend payable on the Preference Scheme Share (for the period from the last dividend payment date prior to the Preference Scheme Implementation Date) will be paid out of PCL's retained earnings. Accordingly, this component of the distribution should constitute an assessable unfranked dividend for a Preference Scheme Shareholder.

(b) Return of Capital Component

The components of the Preference Scheme Consideration comprising the face value of the unsecured note (\$6.50) and the cash payment (\$1.00), should prima facie constitute a return of capital on the basis that this component of the consideration will be debited against an amount standing to PCL's share capital account. These components of the Preference Scheme Consideration should not be included in a Preference Scheme Shareholder's assessable income, but rather will reduce the cost base of their Preference Scheme Share.

Section 45B of Income Tax Assessment Act 1936 (Cth) (**ITAA 1936**) is an anti-avoidance provision which, if applicable allows the Commissioner of Taxation to make a determination to treat all or part of a capital return received by shareholders as an unfranked dividend paid by a company out of profits.

Based on the composition of the Preference Scheme Consideration and having regard to the terms of the Preference Scheme Shares (which include preferred cumulative dividends and capital entitlements which are limited to their face value of \$7.50), Section 45B should not apply to treat all or part of these components of the Preference Scheme Consideration as an unfranked dividend for Australian income tax purposes. Preference Scheme Shareholders should seek their own independent professional tax advice in relation to the operation of Section 45B.

(c) Cancellation of Preference Scheme Shares – CGT event C2

Following the selective capital reduction of all Preference Scheme Shares, all Preference Scheme Shares will be cancelled in accordance with the Cancellation Resolution.

CGT event C2 should happen upon cancellation of the Preference Scheme Shares. Accordingly, Preference Scheme Shareholders should, in respect of each Preference Scheme Share that they own at the Record Date:

- make a capital gain from CGT event C2, if the capital proceeds are greater than the cost base of their Preference Scheme Share; and
- make a capital loss from CGT event C2, if the capital proceeds are less than the reduced cost base of their Preference Scheme Share.

The cost base of a Preference Scheme Share should be the amount paid, or value of the property given, to acquire the Preference Scheme Share (i.e. \$7.50 if the Preference Scheme Share was issued by PCL to the Preference Scheme

Shareholder on 3 June 2015), as well as incidental costs (if any) incurred in relation to the acquisition of that share, less the reduction in cost base of the Preference Scheme Share arising in connection with the return of capital (\$7.50 – refer above).

As no consideration will be paid in respect of the cancellation of the Preference Scheme Shares, no capital gain or loss should arise upon the cancellation.

14.7 Taxation implications of holding Bellawest Notes and PCL Notes

Australian resident Ordinary Scheme Shareholders who elect to receive Bellawest Notes and Preference Scheme Shareholders who receive PCL Notes (**Noteholders**) should provide Bellawest and PCL respectively with their Tax File Number or else Bellawest and PCL respectively may be obligated to deduct the highest marginal tax rate (currently 49%) from any future interest payments.

Noteholders will need to recognise future interest amounts as assessable income on either a cash receipts or accruals basis as determined by the individual circumstances of each Noteholder, and whether the TOFA rules in Division 230 of ITAA 1997 apply to the Noteholder. Scheme Shareholders should obtain independent professional taxation advice on this matter.

14.8 Disposal, transfer or redemption of Bellawest Notes and PCL Notes

Australian income tax consequences of the disposal, transfer or redemption of the Bellawest Notes and/or PCL Notes will depend upon the individual circumstances of each Noteholder including whether the TOFA rules in Division 230 of ITAA 1997 will apply to the Noteholder and/or if the Bellawest Notes and/or PCL Notes are held capital account or revenue account (e.g. are subject to the 'Traditional' security' rules).

Ordinary Scheme Shareholders who elect to receive Bellawest Notes or Mixed Consideration and Preference Scheme Shareholders should seek their own independent professional tax advice that is specific to their particular circumstances.

14.9 Stamp duty

Scheme Shareholders should not be required to pay stamp duty on the disposal of their Ordinary Scheme Shares to Bellawest or on the selective capital reduction and cancellation of their Preference Scheme Shares.

14.10 GST

The disposal of Ordinary Scheme Shares by Ordinary Scheme Shareholders and the selective capital reduction and cancellation of the Preference Scheme Shares should not attract GST. However, the ability of Ordinary Scheme Shareholders and Preference Scheme Shareholders to claim input tax credits of any GST included in the cost incurred on acquisitions (if any) related directly or indirectly to the disposal of shares may be restricted.

This is a complex area of the GST law and GST registered Scheme Shareholders should seek their own independent professional tax advice in this regard.

14.11 Taxation Implications for Non-Australian tax resident Scheme Shareholders

Non-resident Ordinary Scheme Shareholders and Preference Scheme Shareholders should obtain their own independent tax advice regarding the implications of participating in the Schemes both in Australia and in their country of residence.

Non-resident Ordinary Scheme Shareholders that elect to receive Bellawest Notes will also be in receipt of interest income from which Interest Withholding Tax (**IWT**) of 10% will need to be deducted by Bellawest and remitted to the ATO.

Non-resident Preference Scheme Shareholders will also be in receipt of interest income in respect of PCL Notes from which IWT of 10% will need to be deducted by PCL and remitted to the ATO.

15. Investment risks for Bellawest Notes

This section 15 is of particular relevance to Ordinary Shareholders considering electing Bellawest Notes as a part of their Ordinary Scheme Consideration

15.1 Introduction

Ordinary Shareholders (other than Ineligible Foreign Shareholders) may elect to receive some or all of their Ordinary Scheme Consideration in the form of Bellawest Notes if the Schemes become Effective. Before electing Bellawest Notes, you should consider whether the Bellawest Notes are a suitable investment for you. There are risks associated with an investment in the Bellawest Notes, many of which are outside the control of Bellawest. These risks include those contained in this section 15. You should carefully consider the risks described and the other information in this Explanatory Booklet before electing to receive Bellawest Notes. The risks and uncertainties described below are not the only ones Bellawest faces. Additional risks and uncertainties that Bellawest is unaware of, or that Bellawest currently deems to be immaterial, may also become important factors that affect the Bellawest Notes or Bellawest.

The following risks do not take into account your individual investment objectives, financial situation, position or particular needs. You should seek professional guidance from your stockbroker, accountant or other independent and qualified professional adviser before electing to receive Bellawest Notes as some or all of your Ordinary Scheme Consideration.

15.2 Benchmarking

If the Schemes are implemented, Bellawest will be an unlisted company who is an issuer of unsecured notes (the Bellawest Notes). ASIC requires unlisted unsecured note issuers to make particular disclosures on specified benchmarks. This section 15.2 discloses whether Bellawest will satisfy the applicable benchmarks if the Schemes are implemented and if not, then why not. The following benchmarks are based on the pro-forma financial information set out in section 12.3.

(a) Equity ratio

ASIC's benchmark: An issuer should maintain an equity ratio of 8%, where only a minor part of its activity is property development or lending funds directly or indirectly for property development.

Bellawest satisfies this benchmark. If the Schemes are implemented, Bellawest will have an equity ratio of between 15-17% depending on the ratio of cash to Bellawest Notes elected by Ordinary Scheme Shareholders as Ordinary Scheme Consideration.

Bellawest is an investment holding company incorporated on 1 June 2016 for the purposes of proposing the Ordinary Scheme. As such, it is unable to disclose its comparative equity ratios for previous years.

(b) Liquidity

ASIC's benchmark: An issuer should have cash flow estimates for the next three months and ensure that at all times it has cash or cash equivalents sufficient to meet its projected cash needs over the next three months.

Bellawest satisfies this benchmark. Bellawest has prepared detailed cash flow estimates for the next 12 to 24 months. These estimates indicate that Bellawest will hold cash or cash equivalents sufficient to meet its projected cash needs over that period, including the quarterly interest payments on the Bellawest Notes. If the

Schemes are implemented, Bellawest intends to adopt the same cash flow monitoring and review practices as currently used by PCL (see section 16.2(b)).

(c) **Rollover**

ASIC's benchmark: An issuer should disclose its approach to rollovers, including what process is followed at the end of the investment term and how it informs those rolling over or making further investments of any current prospectus and continuous disclosure announcements.

Bellawest satisfies this benchmark. As set out in section 4.3 (terms of the Bellawest Notes), the Bellawest Notes have a maturity date which is 2 years from their date of issue. Bellawest intends to repay all of the Bellawest Notes on the maturity date in accordance with their terms and the Bellawest Note Trust Deed. There is, therefore, no rollover contemplated for the Bellawest Notes.

(d) **Debt maturity**

ASIC's benchmark: An issuer should disclose an analysis of the maturity profile of interest-bearing liabilities (including notes on issue) by term and value; and the interest rates, or average interest rates, applicable to its debts.

Bellawest satisfies this benchmark. As set out in this Explanatory Booklet, it will fund the Ordinary Scheme Consideration with a combination of Bellawest Notes and the Loan to be provided by Payce Finance under the Loan Agreement (see section 11.4). The total value of the Ordinary Scheme Consideration is \$139,016,152.80, as at the Ordinary Scheme Implementation Date. The proportion of cash to Bellawest Notes depends on the elections made by Ordinary Scheme Shareholders. (See section 12.3 for pro-forma financial statements with different scenarios of the proportion of cash to Bellawest Notes.)

The Bellawest Notes have a face value of \$12.60 per Note, an interest rate of 6.5% and a maturity date of two years from the date of issue.

The loan to be provided by Payce Finance under the Loan Agreement has a maximum loan amount of \$120 million, an interest rate of 6% and a term of three years.

Bellawest has no other corporate debt, however, see also section 16.2(d) (PCL Debt maturity) which includes details on the debt maturity of PCL and the PCL Group.

15.3 **Risks associated with the Bellawest Notes**

(a) **Absence of trading market for Bellawest Notes**

The face value of the Bellawest Notes is fixed and as such risks associated with market price fluctuations are not relevant, however, Bellawest is (and will continue to be) an unlisted company. Bellawest Notes will not be quoted on the ASX and, therefore, there will be no active or liquid market for the sale and purchase of the Bellawest Notes following implementation of the Schemes. Prior to any redemption of the Bellawest Notes, Bellawest Noteholders would need to sell their Bellawest Notes to realise their investment. The price achievable on any such off-market sale of Bellawest Notes may be less than the face value of the Bellawest Notes.

In addition, a Bellawest Noteholder who wishes to dispose of their Bellawest Notes will need to comply with the disposal provisions in the Terms of the Bellawest Notes (see Term 8, Annexure D).

(b) Bellawest Notes are unsecured obligations

The Bellawest Notes are unsecured and, in the event of a winding-up of Bellawest, all payments on Bellawest Notes will rank behind the prior payment in full of all secured liabilities of Bellawest and any liabilities of Bellawest to the Trustee. Noteholders rank equally as between themselves and with other unsecured creditors, except for the Trustee. The Bellawest Notes are liabilities of Bellawest itself and Bellawest Noteholders will have no right to claim against any Related Bodies Corporate of Bellawest, including PCL.

The ability of Bellawest to make payments on the Bellawest Notes is dependent on the earnings and distributions of its Subsidiaries, including PCL, the assets of which are subject to prior claims of the secured and unsecured creditors of such entities.

There are no restrictions on Bellawest or any of its Subsidiaries in respect of incurring additional indebtedness, including indebtedness that ranks *pari passu* with or senior to the Bellawest Notes or to which the Bellawest Notes are structurally subordinated. The incurring of significant amounts of such additional indebtedness could have an adverse impact on the ability of Bellawest to service its debt, including the Bellawest Notes.

There is a risk that there may be a shortfall of funds to pay all amounts ranking senior to and equally with Bellawest Notes in the event of a winding-up of Bellawest. This would result in Bellawest Noteholders losing all or some of their investment (i.e. they would not receive some or all of the face value of the Bellawest Notes, or any interest payments due and unpaid at that time).

(c) Early redemption

Bellawest, at its option, may decide to redeem some or all of the Bellawest Notes earlier than the end of the Bellawest Note term. If Bellawest elects to redeem Bellawest Notes early, then the amount payable on redemption is the face value of the Bellawest Notes plus any interest capitalised or unpaid on the redemption date. Bellawest Noteholders will not be entitled to receive any of the future interest payments on early redemption.

(d) Interest on Bellawest Notes may not be paid as cash during the Bellawest Note term

Bellawest has the option, in its absolute discretion, to capitalise interest payments rather than pay interest in cash on the interest payment dates. Therefore, Bellawest Noteholders may not receive any cash return on their Bellawest Notes until the notes are redeemed, either on the maturity date or an earlier redemption date at Bellawest's discretion. The maturity date of the Bellawest Notes is 2 years from the Ordinary Scheme Implementation Date or, if that date is not the last day of a Quarter, 2 years from the last day of the Quarter in which the Bellawest Notes are issued.

(e) ASX Listing Rules do not apply

Bellawest will not be listed on the ASX. However, it will be an unlisted disclosing entity for the purposes of the Corporations Act. As such, Bellawest will be subject to certain reporting and disclosure obligations, including the obligation to give continuous disclosure by lodging with ASIC any information Bellawest has that a reasonable person would expect to have a material effect on the price or value of Bellawest securities. Bellawest Noteholders will also have rights under the Bellawest Note Trust Deed, which are enforceable by the Trustee (see

section 19.1). These rights include disclosure of financial accounts and quarterly reports as well as the ability of the Trustee to require redemption of the Bellawest Notes in the event of a change in the control of PCL or the disposal of PCL's main undertaking without the prior approval of Bellawest Noteholders. The protections under the Corporations Act and the Bellawest Note Trust Deed are similar to those provided by the ASX Listing Rules, but may not provide Bellawest Noteholders with the same level of protection, disclosure and oversight currently available to Shareholders under the ASX Listing Rules.

(f) Risk that Bellawest Notes may not be repaid on the maturity date

In order to repay the Bellawest Notes on the maturity date (2 years from the date of issue), Bellawest and the Merged Entity will be required to either monetise one or more of PCL's current development assets or refinance the Bellawest Notes with alternative debt instruments. There is a risk that Bellawest may not be able to monetise the development assets or secure alternative debt financing within the required timeframe. As a result, Bellawest may not be able to repay some or all of the Bellawest Notes on the maturity date.

(g) Exposure to Bellawest's financial performance and position

The Bellawest Notes are an investment in Bellawest and this investment may be affected by the ongoing performance and financial position of Bellawest and the Merged Entity. As a result, if the Merged Entity's financial performance or position declines, Bellawest may not be able to meet some or all of the payment obligations of the Bellawest Notes. The specific risks associated with the business of the Merged Entity, after the implementation of the Schemes, include those risks identified for the business of PCL in sections 16.3(f) and 16.4.

(h) Financial liabilities in respect of the Loan Agreement

Bellawest has ongoing financial obligations in respect of the Loan Agreement (see section 11.4). In particular, during the term of the Bellawest Notes, Bellawest will have interest obligations payable quarterly in relation to the Loan Agreement, an interest rate of 6% per annum payable on the amount drawn-down by Bellawest (up to a maximum of \$120 million) – payable by Bellawest. These interest payments may be capitalised at the option of Bellawest, however, there is no obligation to capitalise these payments.

If Bellawest or the Merged Entity's financial performance or position declines, the financial liabilities of the Bellawest Group under the Loan Agreement may mean that Bellawest may not be able to meet some or all of the payment obligations of the Bellawest Notes.

(i) Taxation treatment

A general description of the Australian taxation consequences of electing Bellawest Notes is set out in section 14. The information in section 14 is provided in general terms and is not intended to provide specific advice in relation to the particular circumstances of any potential Bellawest Noteholder. Accordingly, you should seek independent advice in relation to your individual tax position before you choose to elect Bellawest Notes.

(j) Amendment of the Terms of the Bellawest Notes

Bellawest and the Trustee may amend the Bellawest Note Trust Deed, including the Terms of the Bellawest Notes, without the approval of Bellawest Noteholders if, in the opinion of the Trustee, the amendment is:

- of a formal, minor or technical nature;
- made to correct a manifest error;
- not materially prejudicial to the interests of Bellawest Noteholders.

Bellawest and the Trustee may also amend the Bellawest Note Trust Deed, including the Terms of the Bellawest Notes, if the amendment has been approved by a Special Resolution of Bellawest Noteholders.

(k) **No right of individual enforcement by Bellawest Noteholders**

Only the Trustee has the right to enforce the Terms of the Bellawest Notes and the Bellawest Note Trust Deed, including the right to apply for the appointment of a liquidator or administrator to Bellawest, lodging a proof or claim in a winding up of Bellawest, or seeking damages.

15.4 **General investment risks**

(a) **Economic risk**

Economic risk is derived from general economic conditions in Australia and internationally, movements in interest, inflation and currency exchange rates, variations in commodity prices, the global security situation and the possibility of terrorist disturbances. Changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws and changes to dividend imputation in Australia may have an adverse effect on the Merged Entity's future activities, as well as on its ability to fund those activities.

(b) **Other risks**

Other risk factors include those normally applicable to the conduct of business. These risks include litigation through breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel and other matters that may interfere with the Merged Entity's business or trade.

16. Investment risks for PCL Notes

This section 16 is of particular relevance to Preference Shareholders who will receive part of their Preference Scheme Consideration in the form of PCL Notes.
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16.1 Introduction

Preference Shareholders (other than Ineligible Foreign Shareholders) will receive part of their Preference Scheme Consideration in the form of PCL Notes if the Schemes become Effective. Preference Shareholders should therefore consider the investment profile of PCL Notes as against the investment profile of Preference Shares. There are risks associated with an investment in the PCL Notes, many of which are outside the control of PCL. These risks include those contained in this section 16. You should carefully consider the risks described and the other information in this Explanatory Booklet before voting on the Preference Scheme and applicable Transaction Resolutions. The risks and uncertainties described below are not the only ones PCL faces. Additional risks and uncertainties that PCL is unaware of, or that PCL currently deems to be immaterial, may also become important factors that affect the PCL Notes or PCL.

The following risks do not take into account your individual investment objectives, financial situation, position or particular needs. You should seek professional guidance in this regard from your stockbroker, accountant or other independent and qualified professional adviser.

16.2 Benchmarking

If the Schemes are implemented, PCL will be an unlisted company who is an issuer of unsecured notes (the PCL Notes). ASIC requires unlisted unsecured note issuers to make particular disclosures on specified benchmarks. This section 16.2 discloses whether PCL will satisfy the applicable benchmarks if the Schemes are implemented and if not, then why not. The following benchmarks are based on the pro-forma financial information set out in section 12.4.

(a) Equity ratio

ASIC's benchmark: Where more than a minor part of the issuer's activities is property development – the issuer should maintain a minimum equity ratio of 20%.

PCL satisfies this benchmark. PCL is a property development company and, if the Schemes are implemented, will have an equity ratio of 32%. Its comparative equity ratios for the previous financial years are:

- for the financial year ended 30 June 2016: 28%
- for the financial year ended 30 June 2015: 31%.

(b) Liquidity

ASIC's benchmark: An issuer should have cash flow estimates for the next three months and ensure that at all times it has cash or cash equivalents sufficient to meet its projected cash needs over the next three months.

PCL satisfies this benchmark. At the beginning of each financial reporting period, PCL prepares detailed cash flow estimates for the next 12 to 24 months. These estimates indicate that PCL will hold cash or cash equivalents sufficient to meet its projected cash needs over that period, including to make quarterly interest payments on the PCL Notes. PCL monitors and reviews its cash flow estimates on a regular basis, including whenever it is considering any material investment in a property development or material change to a property development.

(c) **Rollover**

ASIC's benchmark: An issuer should disclose its approach to rollovers, including what process is followed at the end of the investment term and how it informs those rolling over or making further investments of any current prospectus and continuous disclosure announcements.

PCL satisfies this benchmark. As set out in section 7.3 (terms of the PCL Notes), the PCL Notes have a maturity date which is 4 years from their date of issue. PCL intends to repay all of the PCL Notes on the maturity date in accordance with their terms and the PCL Note Trust Deed. There is, therefore, no rollover contemplated for the PCL Notes.

(d) **Debt maturity**

ASIC's benchmark: An issuer should disclose an analysis of the maturity profile of interest-bearing liabilities (including notes on issue) by term and value; and the interest rates, or average interest rates, applicable to its debts.

PCL satisfies this benchmark.

The PCL Notes have a face value of \$6.50 per Note. If the Schemes are implemented, PCL will issue 9,905,398 PCL Notes for a total aggregate face value of \$64,385,087. The PCL Notes' interest rate is 7.5% and the maturity date is four years from the date of issue.

In addition to the PCL Notes, PCL and other entities in the PCL Group have project specific finance debt. Information on the PCL Group's financial liabilities are set out in Note 22 to its financial report for the year ended 30 June 2016, released to the ASX on 10 August 2016.

(e) **Valuation**

ASIC's benchmark: Where an issuer is involved in or (directly or indirectly) lends money for property-related activities, it should disclose its approach to obtaining and relying on valuations.

PCL adopts the following approach in valuing its properties:

- **Investment Properties**

Investment properties are valued and reported in compliance with Australian Accounting Standards. The valuation process undertaken is disclosed at Note 17 of PCL's 30 June 2016 Financial Report.

- **Properties held for Development or Resale**

Any properties held for development or resale are generally valued at acquisition, for funding or at commencement of construction and subsequently in compliance with financiers' annual valuation requirements.

ASIC's benchmark: An issuer should also provide information about the valuation of particular property in its disclosure document as specified in RG69.

PCL satisfies this benchmark. PCL's existing projects have been valued by the Independent Expert and this information can be found in section 6.1 "Fair market value of PAYCE Projects" of the Independent Expert's Report set out in Annexure A of this Explanatory Booklet.

16.3 Risks associated with the PCL Notes

(a) Absence of trading market for PCL Notes

The face value of the PCL Notes is fixed and as such risks associated with market price fluctuations are not relevant, however, if the Schemes are implemented PCL will be an unlisted company. PCL Notes will not be quoted on the ASX and, therefore, there will be no active or liquid market for the sale and purchase of the PCL Notes following implementation of the Schemes. Prior to any redemption of the PCL Notes, PCL Noteholders would need to sell their PCL Notes to realise their investment. The price achievable on any such off-market sale of PCL Notes may be less than the face value of the PCL Notes.

In addition, a PCL Noteholder who wishes to dispose of their PCL Notes will need to comply with the disposal provisions in the terms of the PCL Notes (see Term 8, Annexure F).

(b) PCL Notes are unsecured obligations

The PCL Notes are unsecured and, in the event of a winding-up of PCL, all payments on PCL Notes will rank behind the prior payment in full of all secured liabilities of PCL and any liabilities of PCL to the Trustee. Noteholders rank equally as between themselves and with other unsecured creditors, except for the Trustee. The PCL Notes are liabilities of PCL itself and PCL Noteholders will have no right to claim against any Related Bodies Corporate of PCL, including Bellawest.

The ability of PCL to make payments on the PCL Notes is dependent on its earnings and distributions. There are no restrictions on PCL or any of its Subsidiaries in respect of incurring additional indebtedness, including indebtedness that ranks *pari passu* with or senior to the PCL Notes or to which the PCL Notes are structurally subordinated. The incurring of significant amounts of such additional indebtedness could have an adverse impact on the ability of PCL to service its debt, including the PCL Notes.

There is a risk that there may be a shortfall of funds to pay all amounts ranking senior to and equally with PCL Notes in the event of a winding-up of PCL. This would result in PCL Noteholders losing all or some of their investment (i.e. they would not receive some or all of the face value of the PCL Notes, or any interest payments due and unpaid at that time).

(c) Early redemption

PCL, at its option, may decide to redeem some or all of the PCL Notes earlier than the end of the PCL Note term. If PCL elects to redeem PCL Notes early, then the amount payable on redemption is the face value of the PCL Notes plus any interest capitalised or unpaid on the redemption date. PCL Noteholders will not be entitled to receive any of the future interest payments on early redemption.

(d) Interest on PCL Notes may not be paid as cash during the PCL Note term

PCL has the option, in its absolute discretion, to capitalise interest payments rather than pay interest in cash on the interest payment dates. PCL Noteholders may not, therefore, receive any cash return on their PCL Notes until the PCL Notes are redeemed, either on the maturity date or an earlier redemption date at PCL's discretion. The maturity date of the PCL Notes is 4 years from the Preference Scheme Implementation Date or, if that date is not the last day of a Quarter, 4 years from the last day of the Quarter in which the PCL Notes are issued.

(e) ASX Listing Rules do not apply

PCL will not be listed on the ASX. However, it will be an unlisted disclosing entity for the purposes of the Corporations Act. As such, PCL will be subject to certain reporting and disclosure obligations, including the obligation to give continuous disclosure by lodging with ASIC any information PCL has that a reasonable person would expect to have a material effect on the price or value of PCL securities. PCL Noteholders will also have rights under the PCL Note Trust Deed, which are enforceable by the Trustee (see section 19.1). These rights include disclosure of financial accounts and quarterly reports as well as the ability of the Trustee to require redemption of the PCL Notes in the event of a change in the control of PCL or the disposal of PCL's main undertaking without the prior approval of PCL Noteholders. The protections under the Corporations Act and the PCL Note Trust Deed are similar to those provided by the ASX Listing Rules, but may not provide PCL Noteholders with the same level of protection, disclosure and oversight currently available to Shareholders under the ASX Listing Rules.

(f) Risk that PCL Notes may not be repaid on the maturity date

In order to repay the PCL Notes on the maturity date (4 years from the date of issue), PCL and the Merged Entity will be required to either monetise one or more of PCL's current development assets or refinance the PCL Notes with alternative debt instruments. There is a risk that PCL may not be able to monetise the development assets or secure alternative debt financing within the required timeframe. As a result, PCL may not be able to repay some or all of the PCL Notes on the maturity date.

(g) Exposure to PCL's financial performance and position

The PCL Notes are a debt investment in PCL and this investment may be affected by the ongoing performance and financial position of PCL and the Merged Entity. As a result, if the Merged Entity's financial performance or position declines, PCL may not be able to meet some or all of the payment obligations of the PCL Notes.

(h) Taxation treatment

A general description of the Australian taxation consequences of electing PCL Notes is set out in section 14. The information in section 14 is provided in general terms and is not intended to provide specific advice in relation to the particular circumstances of any potential PCL Noteholder. Accordingly, you should seek independent advice in relation to your individual tax position in relation to PCL Notes.

(i) Amendment of the Terms of the PCL Notes

PCL and the Trustee may amend the PCL Note Trust Deed, including the Terms of the Notes, without the approval of PCL Noteholders if, in the opinion of the Trustee, the amendment is:

- of a formal, minor or technical nature;
- made to correct a manifest error;
- not materially prejudicial to the interests of PCL Noteholders.

PCL and the Trustee may also amend the PCL Note Trust Deed, including the Terms of the PCL Notes, if the amendment has been approved by a Special Resolution of PCL Noteholders.

(j) **No right of individual enforcement by PCL Noteholders**

Only the Trustee has the right to enforce the Terms of the PCL Notes and the PCL Note Trust Deed, including the right to apply for the appointment of a liquidator or administrator to PCL, lodging a proof or claim in a winding up of PCL, or seeking damages.

16.4 **Risks associated with the Merged Entity**

(a) **Dependency on the Australian economy**

The performance of PCL is influenced by the level and cyclical nature of business activity in Australia, which, in turn, is impact by both domestic and international economic and political events. There can be no guarantee that a weakening in the Australian economy, and/or that a weakening in the economic and business conditions of other countries, will not have an adverse effect on PCL's financial condition and its operations.

(b) **Competitive environment**

The property development industry is highly competitive. As a result, PCL faces intense competition in many aspects of its business. If PCL is unable to compete effectively in its business sectors, its market share may decline, which may adversely impact on its profitability.

(c) **Reputational damage**

PCL's ability to successfully undertake property development projects and commercialise these projects effectively could be adversely affected if its reputation is damaged. There are various potential sources of reputational damage including potential conflicts of interest, failing to comply with legal requirements, ethical issues, litigation, failing to comply with building and construction standards, improper sales and trading practices, technology failures, security breaches and risk management failures. PCL's reputation could also be adversely affected by the actions of other stakeholders within the property development industry in general.

(d) **Funding risk**

There is no guarantee that PCL will be able to continue to meet its existing funding arrangements, or that the obligations imposed by its current funding arrangements will remain the same. There is no assurance that PCL will be able to obtain adequate funding for its ongoing property development projects at acceptable prices or at all.

16.5 **General investment risks**

(a) **Economic risk**

Economic risk is derived from general economic conditions in Australia and internationally, movements in interest, inflation and currency exchange rates, variations in commodity prices, the global security situation and the possibility of terrorist disturbances. Changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws and changes to dividend imputation in Australia may have an adverse effect on the Merged Entity's future activities, as well as on its ability to fund those activities.

(b) Other risks

Other risk factors include those normally found in conducting business, including:

- litigation through breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise);
- strikes, lockouts or loss of service of key management or operational personnel;
- weather and natural disasters;
- incidents or delays involving development machinery and equipment;
- fraudulent actions;
- infrastructure disruptions;
- increase in costs or shortages/delays in obtaining necessary materials;
- fluctuations in electricity, fuel and water prices; and
- civil disobedience, sabotage, hijacking or terrorist activity,

and other matters that may interfere with the Merged Entity's business or trade.

17. Procedural aspects of the Transaction

17.1 Introduction

The Transaction involves the following inter-related elements:

- the Ordinary Scheme to be voted on at the Ordinary Scheme Meeting;
- the Financial Assistance Resolution and Capital Reduction Resolution to be voted on at the General Meeting;
- the Preference Scheme to be voted on at the Preference Scheme Meeting; and
- the Cancellation Resolution to be voted on at the Preference General Meeting.

17.2 The Schemes

(a) Ordinary Scheme

The Ordinary Scheme, if approved, will constitute a binding arrangement between PCL and each Ordinary Scheme Shareholder that will require each Ordinary Scheme Shareholder (including those who do not vote on the Ordinary Scheme and those that vote against the Ordinary Scheme) to transfer all Ordinary Shares held on the Record Date to Bellawest in return for the provision of the Ordinary Scheme Consideration. A copy of the Ordinary Scheme is set out in Annexure B of this Explanatory Booklet.

Bellawest has executed a Deed Poll in favour of the Ordinary Scheme Shareholders under which Bellawest has undertaken, subject to the Schemes becoming Effective, to acquire all of the Ordinary Shares held by Ordinary Scheme Shareholders (other than the Non-Participating Shareholders) and to provide the Ordinary Scheme Consideration in accordance with the terms of the Ordinary Scheme. A copy of the Deed Poll is set out in Annexure C of this Explanatory Booklet.

(b) Preference Scheme

The Preference Scheme, if approved, will constitute a binding arrangement between PCL and each Preference Scheme Shareholder that will allow PCL to cancel all Preference Shares held by all Preference Scheme Shareholders (including those who do not vote on the Preference Scheme and those that vote against the Preference Scheme) held on the Record Date in return for the provision of the Preference Scheme Consideration. A copy of the Preference Scheme is set out in Annexure E of this Explanatory Booklet.

(c) Court approval: PCL will apply to the Court for orders approving the Schemes if:

- the Ordinary Scheme Resolution is approved by the Requisite Majority of Ordinary Shareholders at the Ordinary Scheme Meeting;
- the Preference Scheme Resolution is approved by the Requisite Majority of Shareholders at the Preference Scheme Meeting; and
- all other conditions to the Schemes are satisfied or waived (where applicable) including the approval of the Financial Assistance Resolution, the Capital Reduction Resolution and the Cancellation Resolution.

The date on which the Court hears PCL's application is the Second Court Date, currently scheduled to be on or around 3 November 2016 (although this is subject to change).

The Court may refuse to grant the orders referred to above even if the Ordinary Scheme Resolution and the Preference Scheme is approved by the Requisite Majority of Shareholders.

17.3 Scheme Consideration

(a) Election for Ordinary Scheme Consideration

Ordinary Scheme Shareholders, other than Ineligible Foreign Shareholders, can elect to receive some or all of their Ordinary Scheme Consideration in cash or Bellawest Notes or a combination of cash or Bellawest Notes, by providing an Election Notice to the Registry by the Election Time (being 5pm on the 8th Business Day after the Effective Date or such other time as agreed between Bellawest and PCL in writing). Where no election is made, an invalid election is made or the Ordinary Scheme Shareholder is an Ineligible Foreign Shareholder, such Ordinary Scheme Shareholders will be deemed to have elected to take all of their Ordinary Scheme Consideration in the form of cash.

(b) Ordinary Scheme Consideration

On the Ordinary Scheme Implementation Date, the Ordinary Scheme will be implemented by Bellawest and PCL undertaking the following steps:

- (i) (Deposit of cash component): No later than the Business Day before the Ordinary Scheme Implementation Date, Bellawest and PCL will procure that Payce Finance deposit in cleared funds the aggregate amount of the cash proportion of the Ordinary Scheme Consideration payable to each Ordinary Scheme Shareholder in an Australian dollar denominated trust account operated by PCL as trustee for the Ordinary Scheme Shareholders.
- (ii) (Payment of cash component): Subject to deposit of the aggregate cash component of the Ordinary Scheme Consideration by Payce Finance as referred to in paragraph 17.3(b)(i), on the Ordinary Scheme Implementation Date the cash component of the Ordinary Scheme Consideration will be paid to each Ordinary Scheme Shareholder in accordance with a valid Election or deemed election by either:
 - making a payment to the Ordinary Scheme Shareholder's nominated bank account provided to the Registry as at the Record Date; or
 - sending a cheque for the cash component of the Ordinary Scheme Consideration to the Scheme Shareholder's address shown in the Register as at the Record Date.

If an Ordinary Scheme Shareholder has not nominated a bank account and their whereabouts are unknown as at the Record Date, the cash component of the Ordinary Scheme Consideration will be paid into a separate bank account and held by PCL until claimed or applied under laws dealing with unclaimed money. If you wish to confirm your current account or address details with the Registry, on 1300 737 760.

- (iii) (Issue of Bellawest Notes): For Ordinary Scheme Shareholders who have made a valid Election for Bellawest Notes (other than Ineligible Foreign Shareholders), Bellawest will:
 - on the Ordinary Scheme Implementation Date, issue the number of Bellawest Notes validly elected to relevant Ordinary Scheme

Shareholders and procure that their names and addresses are entered in the register of Bellawest Noteholders; and

- within two Business Days of the Ordinary Scheme Implementation Date, send a holding statement or equivalent document to each Bellawest Noteholder.

- (iv) (Transfer of all Ordinary Scheme Shares to Bellawest): Subject to provision of the Ordinary Scheme Consideration as outlined in the steps above, all of the Ordinary Shares held by Ordinary Scheme Shareholders on the Record Date will be transferred to Bellawest and PCL will enter the name of Bellawest in the Register as the holder of the Ordinary Shares.

(c) **Preference Scheme Consideration**

On the Preference Scheme Implementation Date, the Preference Scheme will be implemented by PCL undertaking the following steps:

- (i) (Payment of cash component): On the Preference Scheme Implementation Date the cash component of the Preference Scheme Consideration will be paid to each Preference Scheme Shareholder by either:

- making a payment to the Preference Scheme Shareholder's nominated bank account provided to the Registry as at the Record Date; or
- sending a cheque for the cash component of the Preference Scheme Consideration to the Preference Scheme Shareholder's address shown in the Register as at the Record Date.

If a Preference Scheme Shareholder has not nominated a bank account and their whereabouts are unknown as at the Record Date, the cash component of the Preference Scheme Consideration will be paid into a separate bank account and held by PCL until claimed or applied under laws dealing with unclaimed money. If you wish to confirm your current account or address details with the Registry, you may do so by phoning them on 1300 737 760.

- (ii) (Issue of PCL Notes): PCL will:

- on the Preference Scheme Implementation Date, issue the PCL Notes to the Preference Scheme Shareholders (other than Ineligible Foreign Shareholders) and procure that their names and addresses are entered in the register of PCL Noteholders; and
- within two Business Days of the Preference Scheme Implementation Date, send a holding statement or equivalent document to each PCL Noteholder.

- (iii) (Ineligible Foreign Shareholders): Ineligible Foreign Shareholders who hold Preference Shares will not be entitled to receive PCL Notes and will receive a cash equivalent instead. On the Preference Scheme Implementation Date, Ineligible Foreign Shareholders who were registered as holding Preference Shares on the Record Date will receive the cash equivalent paid by PCL by either:

- making a payment to the Ineligible Foreign Shareholder's nominated bank account provided to the Registry as at the Record Date; or

- sending a cheque for the cash equivalent of the Preference Scheme Consideration to the Ineligible Foreign Shareholder's address shown in the Register as at the Record Date.

If an Ineligible Foreign Shareholder has not nominated a bank account and their whereabouts are unknown as at the Record Date, the cash equivalent of the Preference Scheme Consideration will be paid into a separate bank account and held by PCL until claimed or applied under laws dealing with unclaimed money. If you wish to confirm your current account or address details with the Registry, you may do so by phoning them on 1300 737 760.

- (iv) (Cancellation of all Preference Shares): Subject to provision of the Preference Scheme Consideration as outlined in the steps above, all of the Preference Shares held by Preference Scheme Shareholders on the Record Date will be cancelled and PCL will update the Register accordingly.

(d) **Deferred cash buy back consideration**

In the event that the Preference Scheme Implementation Date is before 3 December 2016, PCL will pay from its own resources in cash the final instalment of the deferred cash consideration (\$0.70 for each Ordinary Share accepted into the buy-back) under the buy back offer of May 2015. The obligation of PCL to make this payment is not related to the Schemes but the payment date may be brought forward through the Schemes implementation process.

17.4 **Determination of persons entitled to Ordinary Scheme Consideration**

(a) **Dealings on or prior to the Record Date**

For the purposes of establishing the persons who are Ordinary Scheme Shareholders, dealings in Ordinary Shares will only be recognised if and only if:

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

For the purposes of determining entitlements under the Ordinary Scheme, PCL will not accept for registration or recognise any transfer or transmission applications in respect of Ordinary Shares received after the Record Date, other than between Excluded Shareholders.

(b) **Dealings after the Record Date**

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

17.5 Determination of persons entitled to Preference Scheme Consideration

(a) Dealings on or prior to the Record Date

For the purposes of establishing the persons who are Preference Scheme Shareholders, dealings in Preference Shares will only be recognised if and only if registrable redemption notices or transfer or transmission applications (as appropriate in respect of those dealings) are received by the Registry on or before the Record Date (and the transferee remains registered as at the Record Date).

For the purposes of determining entitlements under the Preference Scheme, PCL will not accept for registration or recognise any redemption, transfer or transmission applications in respect of Shares received after the Record Date, other than between Bellawest and Lanox to effect the share transfer described in section 11.6(a).

(b) Dealings after the Record Date

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

17.6 Financial Assistance Resolution

Part 2J.3 of the Corporations Act provides that a company may financially assist a person to acquire shares in the company only if:

- giving the financial assistance does not materially prejudice the interests of the company or its shareholders or the company's ability to pay its creditors;
- the financial assistance is approved by shareholders entitled to vote on such resolution; or
- the financial assistance falls within an exempt category.

It is proposed that, subject to the Schemes becoming Effective, Payce Finance will lend existing cash reserves to Bellawest pursuant to the Loan Agreement for the purpose of Bellawest funding the payment of the cash component of the Ordinary Scheme Consideration and to acquire the Ordinary Shares pursuant to the Ordinary Scheme. The provision of the loan to Bellawest by Payce Finance would constitute PCL and the PCL Subsidiaries financially assisting Bellawest to acquire Shares.

The Corporations Act permits a company to financially assist a person to acquire shares in the company or in its holding company if the financial assistance is approved:

- by a special resolution passed at a general meeting of that company, with no votes being cast in favour of the resolution by the person acquiring the shares or by their associates (s260B(1) of the Corporations Act);
- if, immediately after the acquisition, that company will be a Subsidiary of a listed domestic corporation, by a special resolution passed at a general meeting of that listed domestic corporation (s260B(2) of the Corporations Act); and
- if, immediately after the acquisition, that company will have a holding company that is not a listed domestic corporation but is the ultimate Australian holding company of that company (the Ultimate Australian Holding Company), by a special resolution passed at a general meeting of that holding company (s260B(3) of the Corporations Act).

Note that pursuant to the Preference Share Terms no Preference Shareholder will be entitled to vote on the Financial Assistance Resolution.

Accordingly, the Independent Directors seek the approval of Ordinary Shareholders under s260B(1) and s260B(2) of the Corporations Act to the financial assistance to be given by PCL and the PCL Subsidiaries to Bellawest for the acquisition by Bellawest of all Ordinary Shares pursuant to the Transaction, if the Transaction is approved and implemented, including the financial assistance described above.

Information set out in this Explanatory Booklet is provided in explanation of the Financial Assistance Resolution. The information is provided in compliance with the requirements of section 260B(1), s260B(2) and s260B(4) of the Corporations Act and is intended to inform Voting Shareholders of all matters material to their decision on proposed resolution 1 to be considered at the General Meeting.

Before this financial assistance may be provided, separate resolutions will also be required:

- pursuant to s260B(1) of the Corporations Act, by the shareholders of Payce Finance; and
- pursuant to s260B(3) of the Corporations Act, by the shareholders of the Ultimate Australian Holding Company in respect of the financial assistance to be given to PCL and the PCL Subsidiaries referred to above.

These separate resolutions are not the subject of the Financial Assistance Resolution. It is proposed that these resolutions be sought in sufficient time to permit the giving of the financial assistance referred to above.

17.7 Capital Reduction Resolution

Part 2J.1 of the Corporations Act provides that a company may reduce its share capital in a way that it is not otherwise authorised by law, but only if the reduction:

- is fair and reasonable to the company's shareholders as a whole;
- does not materially prejudice the company's ability to pay its creditors; and
- is approved by the shareholders of the company under section 256C of the Corporations Act.

To effect the Preference Scheme, PCL proposes to undertake a reduction of capital pursuant to which all Preference Shares will be cancelled. The consideration provided to each Preference Shareholder will be the Preference Scheme Consideration, which will be provided by way of a court ordered scheme of arrangement.

Pursuant to section 256C(2)(a) of the Corporations Act a selective reduction of capital must be approved by a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or their Associates.

Under the Preference Share Terms, Preference Shareholders have voting rights at a general meeting of PCL in respect of a proposal to reduce the share capital of PCL. Therefore Preference Shareholders will have a right to vote at the General Meeting but only in respect of the Capital Reduction Resolution and not in respect of the Financial Assistance Resolution. As prescribed by the Preference Share Terms and section 256C(2)(a) of the Corporations Act, Preference Shareholders will be able to vote on the Capital Reduction Resolution at the General Meeting, however, any votes cast in favour of the resolution by Preference Shareholders will be disregarded.

17.8 **Cancellation Resolution**

Section 256C(2) of the Corporations Act prescribes that if any reduction of capital involves the cancellation of shares, the reduction must also be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled. By virtue of the Capital Reduction Resolution, Preference Shareholders must therefore also approve the Cancellation Resolution by the Requisite Majority at the Preference General Meeting.

18. Key terms of Scheme Implementation Deed

The Scheme Implementation Deed contains terms and conditions in relation to the parties' obligations to implement the Schemes and PCL's obligation to conduct its business in the ordinary course during the Scheme process. A summary of the key elements of the Scheme Implementation Deed is set out in this section 18. A full copy of Scheme Implementation Deed was lodged with ASX on 26 August 2016. This document can be obtained under PCL's profile on www.asx.com.au or from www.payce.com.au.

18.1 Conditions

The implementation of the Schemes are subject to the following conditions which must be satisfied or waived (where capable of waiver) before either Scheme can be implemented:

(a) **Regulatory Approvals**

Before 5.00pm on the Business Day before the Second Court Date, ASIC, ASX and all other Government Agencies have provided such consents or approvals necessary or desirable to implement the Schemes;

(b) **Court Approval**

The Court approves each Scheme in accordance with section 411(4)(b) of the Corporations Act;

(c) **Shareholder Approval:**

- Ordinary Shareholders (other than the Bellawest Associates) approve the Ordinary Scheme;
- the Financial Assistance Resolution is approved;
- the Capital Reduction Resolution is approved;
- Preference Shareholders (other than Bellawest Associates) approve the Preference Scheme; and
- the Cancellation Resolution is approved,

by the Requisite Majorities;

(d) **Independent Expert Report:**

Before the date on which this Explanatory Booklet is lodged with ASIC, the Independent Expert issues a report concluding that:

- the Ordinary Scheme is both fair and reasonable, and is in the best interests of Ordinary Shareholders (other than the Non-Participating Shareholders); and
- the Preference Scheme is both fair and reasonable, and is in the best interests of Preference Shareholders (other than the Non-Participating Shareholders),

(and the Independent Expert does not withdraw or adversely change that conclusion prior to 8:00am on the Second Court Date);

(e) **Restraints**

No temporary restraining order, injunction or other order of any court of a competent jurisdiction or Government Agency, or other legal restraint or prohibition

preventing the Schemes is in effect (and no steps have been taken by any Court or Government Agency to effect such restraints) as at 8.00am on the Second Court Date;

(f) **Prescribed Occurrence**

No Prescribed Occurrence occurs before 8.00am on the Second Court Date.

Full details of the conditions including provisions relating to the satisfaction or waiver of the conditions (as applicable) are set out in clause 3 of the Scheme Implementation Deed. As at 22 September 2016, being the last Business Day before the date of this Explanatory Booklet, the condition described in subparagraph (d) above (Independent Expert Report) has been and remains satisfied and PCL is not aware of any circumstances that would cause any of the outstanding conditions above to become incapable of satisfaction.

18.2 Exclusivity

The Scheme Implementation Deed contains a customary exclusivity regime in favour of Bellawest which restricts PCL from soliciting or engaging with a proponent of any Competing Proposal for PCL. The regime may be summarised as follows:

- **No Shop:** during the Exclusivity Period PCL must, and must ensure that its Representatives do not solicit, initiate or invite enquiries discussions or proposals in relation to, or which may reasonably be expected to lead to a Competing Proposal (or communicate an intention to do such things);
- **No Talk:** during the Exclusivity Period PCL must not, and must ensure that its Representatives do not, participate in any discussions or negotiations relating to, or which may lead to a Competing Proposal, or disclose any non-public information about PCL to a Third Party that may reasonably be expected to lead to receipt of a Competing Proposal other than in the ordinary course of business or as required by law (or communicate an intention to do such things).

The above restrictions do not prevent PCL from taking action with respect to a Competing Proposal if the PCL Board determines in good faith (after having received legal advice) that not undertaking the prohibited action would be likely to result in a breach by a PCL Director of his statutory or fiduciary duties.

18.3 Reimbursement of Costs

Considering the significant costs which PCL will incur if the Schemes are not implemented, Bellawest has agreed to pay to PCL \$350,000 if the Schemes do not become Effective on or before the End Date. These costs are not payable to the extent that the obligation to pay these costs:

- constitutes unacceptable circumstances as declared by the Takeovers Panel;
- is held by a court to be unlawful; or
- involves a breach of directors' duties.

This clause was negotiated and agreed to on the basis that it was reasonable and appropriate to secure PCL's entry into the Scheme Implementation Deed on 1 July 2016 (and subsequently into the amendment of the Scheme Implementation Deed on 26 August 2016) and the corresponding benefits to the Shareholders from participation in the Scheme.

18.4 Representations and warranties

PCL and Bellawest have given representations and warranties to each other as to title and capacity, the information contained in this Explanatory Booklet, and compliance with disclosure and other obligations. The representations and warranties given by PCL and

Bellawest are customary for a transaction of this nature and are taken to be true and correct in all material respects as at the date of the Scheme Implementation Deed and again as at 8.00am on the Second Court Date.

18.5 **Guarantee**

Given that Bellawest is a special purpose vehicle incorporated specifically to effect the Scheme, Lanox has unconditionally and irrevocably guaranteed to PCL the performance of Bellawest's obligations under the Scheme Implementation Deed and also the Deed Poll. This includes the potential for Bellawest to pay the costs referred to in section 18.3 above.

18.6 **Termination**

PCL and Bellawest can terminate the Scheme Implementation Deed by written notice:

- if, at any time before 8.00am on the Second Court Date, the other party has materially breached a provision of the Scheme Implementation Deed and has failed to rectify the breach within 10 Business Days after the date on which notice of the breach is given;
- in certain circumstances where an event occurs which would prevent one of the conditions being satisfied;
- if, at any time before 8.00am on the Second Court Date, the other party or any of its related bodies corporate is or becomes insolvent; or
- where a majority of Independent Directors have withdrawn or adversely changed their recommendation to vote in favour of the Scheme.

Bellawest also has a right to terminate the Scheme Implementation Deed if at any time before 8.00am on the Second Court Date a Prescribed Occurrence occurs in respect of PCL.

19. Additional information

19.1 Summary of the Bellawest Note Trust Deed

This section 19.1 summarises the key terms of the Bellawest Note Trust Deed under which the Trustee has been appointed to represent Bellawest Noteholders. For the terms of the Bellawest Notes, see the summary in section 4.3 and the full terms of the Bellawest Notes set out in Annexure D.

(a) Trustee

Bellawest has entered into the Bellawest Note Trust Deed to provide for the appointment of Australian Executor Trustees Limited as Trustee for the Bellawest Noteholders. The Trustee will hold on trust on behalf of Bellawest Noteholders:

- the right to enforce Bellawest's duty to repay the principal amount of the face value of the Bellawest Notes plus capitalised interest (Principal Amount) to Bellawest Noteholders and the benefit of the Bellawest Note Trust Deed;
- any amount held by it in respect of the Bellawest Notes;
- any charge or security for repayment; and
- the right to enforce any other duty that Bellawest has under the Terms of the Bellawest Notes, the provisions of the Bellawest Note Trust Deed and Chapter 2L of the Corporations Act.

Bellawest may remove the Trustee from office if an Ordinary Resolution (defined in paragraph (c) below) of Bellawest Noteholders determines that the Trustee should be removed or if the Trustee ceases to be a Trustee Company (in accordance with the requirements of the Corporations Act) or ceases to carry on business or materially defaults in performing its obligations under the Bellawest Note Trust Deed or has a liquidator or receiver appointed who is not removed within 30 days.

(b) Bellawest

Bellawest must establish and maintain a register of Bellawest Noteholders. The register of Bellawest Noteholders will remain open at all reasonable times during normal business hours for inspection by the Trustee and each Bellawest Noteholder or any person authorised in writing by either of them.

Bellawest must provide the Trustee with copies of its full year and half year financial reports lodged with ASIC and also provide these reports, without charge, to Bellawest Noteholders if requested. Bellawest will also make available for inspection by the Trustee the whole of the accounting or other records of Bellawest and will give to the Trustee such information as it requires with respect to all matters relating to the accounting or other records of Bellawest.

(c) Meetings of Bellawest Noteholders

By delivering an application to Bellawest, Bellawest Noteholders holding not less than 10% in aggregate of the Principal Amount of the Bellawest Notes may convene a meeting of Bellawest Noteholders (**Bellawest Noteholder Meeting**):

- to consider the financial statements which were laid before the last preceding annual general meeting of Bellawest; or
- to give to the Trustee directions in relation to the exercise of the Trustee's powers.

In addition, the Trustee or Bellawest may at any time summon a Bellawest Noteholder Meeting, provided that:

- in the case of a Bellawest Noteholder Meeting to consider an Ordinary Resolution(s) (as defined below), at least 14 days' prior notice of the Bellawest Noteholder Meeting is given to Noteholders; and
- in the case of a Bellawest Noteholder Meeting to consider a Special Resolution(s) (as defined below), at least 21 days' prior notice of the Bellawest Noteholder Meeting is given to Noteholders.

An Ordinary Resolution means:

- a resolution passed at a Bellawest Noteholder Meeting by more than 50% of the votes cast by Bellawest Noteholders entitled to vote on the resolution; or
- a written resolution signed by Bellawest Noteholders holding Bellawest Notes which are entitled to at least 50% of the votes entitled to vote on the resolution.

A Special Resolution means:

- a resolution passed at a Bellawest Noteholder Meeting by at least 75% of the votes cast by Bellawest Noteholders entitled to vote on the resolution; or
- a written resolution signed by Bellawest Noteholders holding Bellawest Notes which are entitled to at least 75% of the votes entitled to vote on the resolution.

At any Bellawest Noteholder Meeting a resolution put to the vote of the meeting will be decided on a show of hands unless a poll is demanded by the chairman (being a person poll nominated by the Trustee), the Trustee or Bellawest or by one of more Bellawest Noteholders present in person or by proxy and holding or representing one-twentieth in value of the aggregate Principal Amount.

On a show of hands every Bellawest Noteholder has one vote and on a poll every Bellawest Noteholder has one vote for every Bellawest Note with respect to which it is the registered holder.

A meeting of Bellawest Noteholders has the power by Special Resolution to:

- release Bellawest from all or part of its liability to pay the Principal Amount and the interest owing on the Bellawest Notes;
- modify or compromise the rights of Bellawest Noteholders under the Bellawest Note Trust Deed, the Terms of the Bellawest Notes or otherwise;
- assent to any modification of the provisions of the Bellawest Note Trust Deed or the Terms of the Bellawest Notes;
- give any sanction, direction or request required to be given by Bellawest Noteholders; and
- give any release, or approve, in respect of anything done or omitted to be done by the Trustee.

(d) Events of default

Upon an Event of Default (as defined below) the Trustee may take action on behalf of Bellawest Noteholders to, amongst other things, enforce the repayment of any moneys owing to Bellawest Noteholders.

Each of the following events is an event of default (**Event of Default**):

- (unremedied default in payment) if Bellawest defaults in the payment of any moneys owing in respect of the Bellawest Notes and that default continues unremedied for a period of 7 Business Days after demand for payment;
- (unremedied material breach) if Bellawest commits a material breach of any other covenant, condition or obligation imposed on it by the Bellawest Note Trust Deed and that breach has not been remedied within 30 days after notice of the breach is given by the Trustee;
- (Control change) Mr Brian Boyd and his Associates and his controlled entities collectively cease to Control PCL without the prior approval of Bellawest Noteholders by way of an Ordinary Resolution;
- (disposal of main undertaking) PCL disposes of its main undertaking without the prior approval of Bellawest Noteholders by way of an Ordinary Resolution; and
- (insolvency event) an insolvency event occurs in relation to Bellawest or PCL.

Upon becoming aware of an Event of Default, the Trustee must convene a Bellawest Noteholder Meeting to consider the Event of Default and whether to give the Trustee directions to:

- enforce provisions of the Bellawest Note Trust Deed, including to take action on behalf of the Bellawest Noteholders to enforce the repayment of the moneys owing to Bellawest Noteholders pursuant to the Bellawest Notes;
- prove in liquidation of Bellawest (irrespective of when that liquidation is commenced); and/or
- if Bellawest has not entered into liquidation, issue a trigger notice requiring early redemption of the Bellawest Notes (on early redemption, see the Terms of the Bellawest Notes, summarised in 4.3 and set out in full in Annexure D).

All directions listed above must be decided by Ordinary Resolution.

19.2 **Summary of the PCL Note Trust Deed**

This section 19.2 summarises the key terms of the PCL Note Trust Deed under which the Trustee has been appointed to represent PCL Noteholders. For the terms of the PCL Notes, see the summary in section 7.3 and the full terms of the PCL Notes set out in Annexure F.

(a) Trustee

PCL has entered into the PCL Note Trust Deed to provide for the appointment of Australian Executor Trustees Limited as Trustee for the PCL Noteholders. The Trustee will hold on trust on behalf of PCL Noteholders:

- the right to enforce PCL's duty to repay the principal amount of the face value of the PCL Notes plus capitalised interest (Principal Amount) to PCL Noteholders and the benefit of the PCL Note Trust Deed;
- any amount held by it in respect of the PCL Notes;
- any charge or security for repayment; and
- the right to enforce any other duty that PCL has under the Terms of the PCL Notes, the provisions of the PCL Note Trust Deed and Chapter 2L of the Corporations Act.

PCL may remove the Trustee from office if an Ordinary Resolution (defined in paragraph (c) below) of PCL Noteholders determines that the Trustee should be removed or if the Trustee ceases to be a Trustee Company (in accordance with

the requirements of the Corporations Act) or ceases to carry on business or materially defaults in performing its obligations under the PCL Note Trust Deed or has a liquidator or receiver appointed who is not removed within 30 days.

(b) PCL

PCL must establish and maintain a register of PCL Noteholders. The register of PCL Noteholders will remain open at all reasonable times during normal business hours for inspection by the Trustee and each PCL Noteholder or any person authorised in writing by either of them.

PCL must provide the Trustee with copies of its full year and half year financial reports lodged with ASIC and also provide these reports, without charge, to PCL Noteholders if requested. PCL will also make available for inspection by the Trustee the whole of the accounting or other records of PCL and will give to the Trustee such information as it requires with respect to all matters relating to the accounting or other records of PCL.

(c) Meetings of PCL Noteholders

By delivering an application to PCL, PCL Noteholders holding not less than 10% in aggregate of the Principal Amount of the PCL Notes may convene a meeting of PCL Noteholders (**PCL Noteholder Meeting**):

- to consider the financial statements which were laid before the last preceding annual general meeting of PCL; or
- to give to the Trustee directions in relation to the exercise of the Trustee's powers.

In addition, the Trustee or PCL may at any time summon a PCL Noteholder Meeting, provided that:

- in the case of a PCL Noteholder Meeting to consider an Ordinary Resolution(s) (as defined below), at least 14 days' prior notice of the PCL Noteholder Meeting is given to PCL Noteholders; and
- in the case of a PCL Noteholder Meeting to consider a Special Resolution(s) (as defined below), at least 21 days' prior notice of the PCL Noteholder Meeting is given to PCL Noteholders.

An Ordinary Resolution means:

- a resolution passed at a PCL Noteholder Meeting by more than 50% of the votes cast by PCL Noteholders entitled to vote on the resolution; or
- a written resolution signed by PCL Noteholders holding PCL Notes which are entitled to at least 50% of the votes entitled to vote on the resolution.

A Special Resolution means:

- a resolution passed at a PCL Noteholder Meeting by at least 75% of the votes cast by PCL Noteholders entitled to vote on the resolution; or
- a written resolution signed by PCL Noteholders holding PCL Notes which are entitled to at least 75% of the votes entitled to vote on the resolution.

At any PCL Noteholder Meeting a resolution put to the vote of the meeting will be decided on a show of hands unless a poll is demanded by the chairman (being a person poll nominated by the Trustee), the Trustee or PCL or by one of more PCL Noteholders present in person or by proxy and holding or representing one-twentieth in value of the aggregate Principal Amount.

On a show of hands every PCL Noteholder has one vote and on a poll every PCL Noteholder has one vote for every PCL Note with respect to which it is the registered holder.

A meeting of PCL Noteholders has the power by Special Resolution to:

- release PCL from all or part of its liability to pay the Principal Amount and the interest owing on the PCL Notes;
- modify or compromise the rights of PCL Noteholders under the PCL Note Trust Deed, the Terms of the PCL Notes or otherwise;
- assent to any modification of the provisions of the PCL Note Trust Deed or the Terms of the PCL Notes;
- give any sanction, direction or request required to be given by PCL Noteholders; and
- give any release, or approve, in respect of anything done or omitted to be done by the Trustee.

(d) Events of default

Upon an Event of Default (as defined below) the Trustee may take action on behalf of PCL Noteholders to, amongst other things, enforce the repayment of any moneys owing to PCL Noteholders.

Each of the following events is an event of default (**Event of Default**):

- (unremedied default in payment) if PCL defaults in the payment of any moneys owing in respect of the PCL Notes and that default continues unremedied for a period of 7 Business Days after demand for payment;
- (unremedied material breach) if PCL commits a material breach of any other covenant, condition or obligation imposed on it by the PCL Note Trust Deed and that breach has not been remedied within 30 days after notice of the breach is given by the Trustee;
- (Control change) Mr Brian Boyd and his Associates and his controlled entities collectively cease to Control PCL without the prior approval of PCL Noteholders by way of an Ordinary Resolution;
- (disposal of main undertaking) PCL disposes of its main undertaking without the prior approval of PCL Noteholders by way of an Ordinary Resolution; and
- (insolvency event) an insolvency event occurs in relation to Bellawest or PCL.

Upon becoming aware of an Event of Default, the Trustee must convene a PCL Noteholder Meeting to consider the Event of Default and whether to give the Trustee directions to:

- enforce provisions of the PCL Note Trust Deed, including to take action on behalf of the PCL Noteholders to enforce the repayment of the moneys owing to PCL Noteholders pursuant to the PCL Notes;
- prove in liquidation of PCL (irrespective of when that liquidation is commenced); and/or
- if PCL has not entered into liquidation, issue a trigger notice requiring early redemption of the PCL Notes (on early redemption, see the Terms of the PCL Notes, summarised in section 7.3 and set out in full in Annexure F).

All directions listed above must be decided by Ordinary Resolution.

19.3 **Interests of PCL Directors**

The Independent Directors have no interest in the outcome of the Schemes, except as provided for in this Explanatory Booklet.

(a) **PCL Shares**

The number and description of PCL securities held by or on behalf of each PCL Director as at the date of this Explanatory Booklet are set out in section 10.7.

(b) **Bellawest securities**

Bellawest is an entity Controlled by Brian Boyd. The corporate structure and ownership of Bellawest and its Associates is set out in section 11.2.

There are no securities of Bellawest held by or on behalf of any Independent Directors as at the date of this Explanatory Booklet.

(c) **Agreements or arrangements in connection with or conditional upon the outcome of the Schemes**

There is no agreement or arrangement made between any Independent Director and any other person in connection with the Schemes and there is no payment or other benefit that is proposed to be made or given to any PCL Director, secretary or executive officer of PCL (or its Related Body Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in PCL or in that Related Body Corporate.

(d) **Contracts entered into by Bellawest**

Other than Brian Boyd, no PCL Director has any interests in contracts entered into by Bellawest.

19.4 **Intentions of PCL Directors after the Ordinary Scheme Implementation Date**

If the Schemes are implemented, it will be a matter for Bellawest as directed by the Merged Entity Board (rather than the PCL Directors) to formulate its intentions in relation to:

- the continuation of the business of PCL;
- any major changes to be made to the business of PCL, including any redeployment of the fixed assets of PCL;
- the future employment of the present employees of PCL.

The current intentions of Bellawest in relation to the Merged Entity are set out in section 12.2.

19.5 **Dealings in PCL securities**

Ruz sold 375,000 Preference Shares on 17 June 2016 for \$7.50 per Preference Share to CRB Superannuation Pty Ltd, as trustee for the Colleen Boyd Superannuation Fund.

Apart from the transaction above, neither Bellawest nor any Associate has provided, or agreed to provide, consideration for any Shares under a purchase or agreement during the four months ended on the day immediately before the date of this Explanatory Booklet.

During the period of four months ended on the day immediately before the date of this Explanatory Booklet, neither Bellawest nor any Associate has 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 Schemes; or
- dispose of any Shares,

and the benefit has not been offered to all Shareholders.

19.6 Interests of experts

(a) Interests of advisers

Other than as set out in this section 19 or elsewhere in this Explanatory Booklet, no person named in this Explanatory Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Booklet holds, or held at any time during the last two years before the date of this Explanatory Booklet, any interest in:

- the formation or promotion of Bellawest;
- any property acquired or proposed to be acquired by Bellawest in connection with its formation;
- the promotion or offer for issue of the Bellawest Notes; or
- the promotion or offer for issue of the PCL Notes;

Other than as set out in this section 19 or elsewhere in this Explanatory Booklet, no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the preparation of this Explanatory Booklet or in connection with the formation or promotion of PCL in connection with the Schemes.

(b) PCL's experts and fees

The persons performing a function in a professional or advisory capacity in connection with the Schemes and with the preparation of this Explanatory Booklet on behalf of PCL are:

- Grant Thornton (Independent Expert);
- Addisons (Legal Advice in relation to Australian law); and
- Ernst & Young (Tax Advice in relation to Australian tax law);

Each of them will be entitled to receive professional fees charged in accordance with their normal basis of charging.

The fee for professional services paid or payable to the Independent Expert which has provided an Independent Expert's Report is approximately A\$160,000 (plus GST).

(c) Bellawest's advisors

The persons performing a function in a professional or advisory capacity in connection with the Schemes and with the preparation of this Explanatory Booklet on behalf of Bellawest are Pistilli Simmons (Legal Advice in relation to Australian law).

19.7 Consents

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

- Grant Thornton as the author of the Independent Expert Report contained in Annexure A;
- Addisons, as Australian legal advisor for PCL;
- Ernst & Young, as Australian tax advisor for PCL;
- Boardroom Pty Ltd as the Registry;
- Pistilli Simmons, as Australian legal advisor for Bellawest;

Each person referred to in this section 19.7:

- has not authorised or caused the issue of this Explanatory Booklet;
- does not make, or purport to make, any statement in this Explanatory Booklet or any statement on which a statement in this Explanatory Booklet is based other than as specified in this section 19.7;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Booklet other than a reference to its name and the statements (if any) included in this Explanatory Booklet with the consent of that person as specified in this section 19.7.

19.8 ASIC modification

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires an explanatory statement to set out whether, within the knowledge of the PCL Directors, the financial position of PCL has materially changed since the date of the last balance sheet laid before PCL Shareholders in accordance with sections 314 or 317 of the Corporations Act being 30 June 2015. ASIC has allowed PCL to depart from complying with this request so that this Explanatory Booklet only needs to set out whether, within the knowledge of the PCL Directors, the financial position of PCL has materially changed since 30 June 2016 being the date of its last audited accounts.

19.9 Other material information

Except as set out in this Explanatory Booklet, there is no other information material to the making of a decision in relation to the Schemes, being information that is within the knowledge of any PCL Director or Related Body Corporate of PCL which has not previously been disclosed to Shareholders.

20. Glossary

20.1 Definitions

ASIC	Australian Securities and Investments Commission
Associate	Has the meaning given to it in the Corporations Act
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate
ASX Listing Rules	The official listing rules of ASX
Bellawest	Bellawest Pty Limited ACN 612 757 829
Bellawest Associates	Bellawest, Lanox, Ruz, any director of any member of the Bellawest Group, and any other Shareholder who is a member of the Bellawest Group or who holds a Share on behalf of, or for the benefit of, any Bellawest Group member or director, Lanox or Ruz.
Bellawest Board	The board of directors of Bellawest
Bellawest Director	A member of the Bellawest Board
Bellawest Group	Bellawest and each of its Related Bodies Corporate but excluding any member of the PCL Group
Bellawest Information	<p>All the information contained in:</p> <ul style="list-style-type: none">(a) the paragraph commencing “The Bellawest Information has been prepared by Bellawest” in the subsection “Responsibility for information” in the Important Notices;(b) section 4.3 – What are the terms of the Bellawest Notes?(c) section 7.3 - What are the terms of the PCL Notes?(d) section 11 – Information about Bellawest and its Associates;(e) section 12 – Information about the Merged Entity;(f) section 15 – Investment risks for Bellawest Notes;(g) section 16 – Investment risks for PCL Notes;(h) section 19.1 – Summary of the Bellawest Note Trust Deed;(i) section 19.2 – Summary of the PCL Note Trust Deed;(j) section 19.5 – Dealings in PCL securities;(k) section 19.6(c) – Bellawest's advisors;(l) all statements of intention or belief of Bellawest, the Merged Entity or any Bellawest Director contained in this Explanatory Booklet;(m) other parts of this Explanatory Booklet which have been prepared by Bellawest for the purpose of compiling information on or describing Bellawest or the Merged Entity;(n) all information contained elsewhere in the Explanatory Booklet repeating or based on the information referred to in paragraph (a) to (m) above

Bellawest Note	An unsecured note with a face value of \$12.60 to be issued by Bellawest pursuant to the Bellawest Note Trust Deed between Bellawest and the Trustee, the full terms of which are set out in Annexure D
Bellawest Noteholder	The holder of a Bellawest Note
Bellawest Note Trust Deed	The trust deed entered into between the Trustee and Bellawest dated 13 September 2016 in respect of the Bellawest Notes, the key terms of which are summarised in section 19.1 of this Explanatory Booklet
Blackwood Jay	Blackwood Jay Pty Limited (ACN 612 746 451)
Business Day	“business day” as defined in the ASX Listing Rules
Cancellation Resolution	A resolution of Preference Shareholders required under section 256C(2) of the Corporations Act to approve the cancellation of the Preference Scheme Shares pursuant to the Preference Scheme
Capital Reduction Resolution	A resolution of Shareholders required under section 256C(2)(a) of the Corporations Act to approve the reduction of the Preference Scheme Shares pursuant to the Preference Scheme
Competing Proposal	Any proposal under which a Third Party may acquire control of PCL
Control	Has the meaning given to it in section 50AA of the Corporations Act
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Court	Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing between PCL and Bellawest
Deed Poll	The Deed Poll dated 21 September 2016 set out in Annexure C of this Explanatory Booklet under which Bellawest covenants in favour of the Ordinary Scheme Shareholders to perform certain obligations attributed to it under the Ordinary Scheme, and Lanox guarantees that performance
Effective	When used in relation to a Scheme, the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme comes into effect pursuant to section 411(10) of the Corporations Act
Effective Date	The date on which the Schemes become Effective
Election Form	The pink election form included with this Explanatory Booklet
Election Time	5.00pm on the day which is 8 Business Days after the Effective Date (such deadline currently being 16 November 2016)
Encumbrance	Any mortgage, charge, lien, encumbrance, pledge, security interests (including any ‘security interests’ within the meaning of section 12 of the <i>Personal Property Securities Act 2009</i> (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind or any other arrangement having the same effect

End Date	31 December 2016, or such later date as agreed in writing between PCL and Bellawest
Exclusivity Period	The period commencing on 1 July 2016 and ending on the earlier of the date of termination of the Scheme Implementation Deed and the End Date
Explanatory Booklet	This Explanatory Booklet
EY Information	All information contained in section 14 ("Taxation considerations for Australian residents")
Financial Assistance Resolution	A special resolution of PCL to be voted on at the General Meeting to approve Payce Finance providing financial assistance to Bellawest to acquire the Ordinary Scheme Shares pursuant to the Loan Agreement.
General Meeting	The general meeting of Shareholders to be held at 10.45am on 31 October 2016 to consider and vote on the Financial Assistance Resolution and the Capital Reduction Resolution and includes any adjournment of that meeting
Glossary	This glossary
Governmental Agency	includes: (a) ASX, ASIC, the Australian Competition and Consumer Commission; (b) any regulatory organisation established under statute; and (c) any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, 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
Independent Directors	Roger Short and Chris Gabriel
Independent Expert	Grant Thornton Corporate Finance Pty Limited (ACN 003 256 987) of Level 17, 383 Kent Street Sydney
Independent Expert's Report	The report of the Independent Expert set out in Annexure A of this Explanatory Booklet
Ineligible Foreign Shareholder	(a) In respect of the Ordinary Scheme, an Ordinary Scheme Shareholder whose address shown in the Register is a place outside Australia and its external territories or New Zealand unless Bellawest determines that it is lawful and not unduly onerous or impracticable to issue that Ordinary Scheme Shareholder with Bellawest Notes when the Ordinary Scheme becomes Effective (b) In respect of the Preference Scheme, a Preference Scheme Shareholder whose address shown in the Register is a place outside Australia and its external territories or New Zealand unless PCL determines that it is lawful and not unduly onerous or impracticable to issue that Preference Scheme Shareholder with PCL Notes when the Ordinary Scheme becomes Effective

Lanox	Lanox Pty Limited (ACN 077 164 884)
Loan Agreement	The loan agreement between Payce Finance and Bellawest entered into on 15 September 2016 to finance Bellawest's acquisition of Ordinary Scheme Shares pursuant to the Ordinary Scheme
Merged Entity	Bellawest and its Subsidiaries following implementation of the Schemes (when PCL will be a Subsidiary of Bellawest)
Merged Entity Board	The board of directors of Bellawest following implementation of the Schemes
Non-Participating Shareholder	Bellawest and Lanox
Notice of General Meeting	The notice of General Meeting set out in Annexure H to this Explanatory Booklet
Notice of Ordinary Scheme Meeting	The notice of Ordinary Scheme Meeting set out in Annexure G to this Explanatory Booklet
Notice of Preference General Meeting	The notice of Preference General Meeting set out in Annexure J to this Explanatory Booklet
Notice of Preference Scheme Meeting	The notice of Preference Scheme Meeting set out in Annexure I to this Explanatory Booklet
Ordinary Scheme	The proposed scheme of arrangement under Part 5.1 of the Corporations Act between PCL and Ordinary Scheme Shareholders, set out in Annexure B of this Explanatory Booklet, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by PCL and Bellawest
Ordinary Scheme Consideration	The consideration to be provided by Bellawest to Ordinary Scheme Shareholders for the transfer of each Ordinary Share under the terms of the Ordinary Scheme being \$12.60 or one Bellawest Note per Ordinary Share held on the Record Date as elected by an Ordinary Scheme Shareholder (other than Ineligible Foreign Shareholders, who will not be entitled to an election and will receive \$12.60 per Ordinary Share held on the Record Date)
Ordinary Scheme Implementation Date	Tenth Business Day after the Record Date, or such other date agreed to in writing by PCL and Bellawest
Ordinary Scheme Meeting	The meeting of Ordinary Shareholders (other than Bellawest Associates) ordered by the Court to be convened under section 411(1) of the Corporations Act to vote on the Ordinary Scheme Resolution, to be held at 10.30am on 31 October 2016 and includes any adjournment of that meeting
Ordinary Scheme Resolution	The resolution to be proposed at the Ordinary Scheme Meeting to approve the Ordinary Scheme, set out in the Notice of Ordinary Scheme Meeting
Ordinary Scheme Share	An Ordinary Share held by an Ordinary Scheme Shareholder on the Record Date

Ordinary Scheme Shareholder	Each person who is an Ordinary Shareholder (other than the Non-Participating Shareholders) as at the Record Date
Ordinary Share	A fully paid ordinary share in the capital of PCL
Ordinary Shareholder	A person registered in the Register as a holder of an Ordinary Share
Payce Finance	PAYCE Finance Pty Limited (ACN 000 378 661)
PCL or PAYCE Consolidated Limited	PAYCE Consolidated Limited (ACN 001 566 310)
PCL Board	The board of directors of PCL
PCL Company Secretary	Brian Bailison
PCL Director	A member of the PCL Board
PCL Group	PCL and its Subsidiaries
PCL Information	The information contained in this Explanatory Booklet other than the Bellawest Information, the EY Information and the Independent Expert's Report in Annexure A to this Explanatory Booklet
PCL Note	An unsecured note issued by PCL with a face value representing a principal amount of \$6.50 per note, 4 year maturity and attaching coupon of 7.5% per annum, the full terms of which are set out in Annexure F.
PCL Note Trust Deed	The trust deed entered into between the Trustee and PCL dated 16 September 2016 in respect of the PCL Notes, the key terms of which are summarised in section 19.2 of this Explanatory Booklet
Preference General Meeting	A general meeting of the Preference Shareholders (other than Bellawest Associates) to be held at 11.15am on 31 October 2016 at which the Preference Shareholders will vote on the Cancellation Resolution and includes any adjournment of that meeting
Preference Scheme	The scheme of arrangement under Part 5.1 of the Corporations Act between PCL and the Preference Scheme Shareholders, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bellawest and PCL
Preference Scheme Consideration	The consideration to be provided by PCL to Preference Scheme Shareholders for the selective reduction of PCL's capital and the cancellation of all Preference Scheme Shares, being \$1 plus a pro-rata amount of any dividend accrued but unpaid on the Preference Shares up to (but excluding) the Preference Scheme Implementation Date plus one PCL Note per Preference Scheme Shareholder held on the Record Date (other than Ineligible Foreign Shareholders, who will receive a cash equivalent
Preference Scheme Implementation Date	Seventh Business Day after the Record Date or such other day as the parties to the Scheme Implementation Deed agree

Preference Scheme Meeting	A meeting of the Preference Shareholders (other than Bellawest Associates) ordered by the Court to be convened under section 411(1) of the Corporations Act at which such Preference Shareholders will vote on the Preference Scheme Resolution, to be held at 11.00am on 31 October 2016 and includes any adjournment of that meeting
Preference Scheme Resolution	The resolution to be proposed at the Preference Scheme Meeting to approve the Preference Scheme, set out in the Notice of Preference Scheme Meeting
Preference Scheme Share	A Preference Share held by a Preference Shareholder on the Record Date
Preference Scheme Shareholder	Each person who is a Preference Shareholder (other than the Non-Participating Shareholders) as at the Record Date
Preference Share	A preference share in the capital of PCL
Preference Shareholder	A person registered in the Register as a holder of a Preference Share
Preference Share Terms	The terms of issue of the Preference Shares set out in the Schedule to the Prospectus and Offer Document issued by PCL and lodged with the ASX on 4 May 2015
Prescribed Occurrence	<p>Means the occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) PCL converting all or any of its shares into a larger or smaller number of shares; (b) any member of the PCL Group (other than a direct or indirect wholly owned Subsidiary of PCL) resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares; (c) any member of the PCL Group (other than a direct or indirect wholly owned Subsidiary of PCL): <ul style="list-style-type: none"> (i) entering into a buy-back agreement; or (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act; (d) a member of the PCL Group (other than a direct or indirect wholly owned Subsidiary of PCL) 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; (e) a member of the PCL Group issuing securities, including without limitation shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than to PCL or to a direct or indirect wholly owned Subsidiary of PCL; (f) a member of the PCL Group issuing or agreeing to issue securities convertible into shares, other equity or any debt securities; (g) a member of the PCL Group making any change to its constitution; (h) a member of the PCL Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; (i) a member of the PCL Group granting or agreeing to grant, a security interest in the whole, or a substantial part, of its business

	<p>or property;</p> <p>(j) a member of the PCL Group resolving to be wound up;</p> <p>(k) a liquidator or provisional liquidator being appointed to a member of the PCL Group;</p> <p>(l) a court making an order for the winding up of a member of the PCL Group;</p> <p>(m) an administrator of a member of the PCL Group, being appointed under the Corporations Act;</p> <p>(n) a member of the PCL Group executing a deed of company arrangement;</p> <p>(o) a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of a member of the PCL Group,</p> <p>other than:</p> <p>(p) where the occurrence was required to be done in order to implement the Scheme;</p> <p>(q) where the occurrence was approved by the PCL Board, and Brian Boyd voted in favour of the matter in his capacity as a director of the PCL Board;</p> <p>(r) where the occurrence was in the ordinary course of implementing a transaction that was approved by the PCL Board and Brian Boyd voted in favour of implementing that transaction in his capacity as a director of the PCL Board; or</p> <p>(s) with the prior written consent of Bellawest</p>
Proxy Form	<p>The proxy form included with this Explanatory Booklet which may include (depending on whether you hold Ordinary Shares and/or Preference Shares:</p> <p>(a) proxy form in respect of the Ordinary Scheme Meeting (blue Proxy Form)</p> <p>(b) proxy form in respect of the General Meeting (yellow Proxy Form);</p> <p>(c) proxy form in respect of the Preference Scheme Meeting (green Proxy Form); and</p> <p>(d) proxy form in respect of the Preference General Meeting (purple Proxy Form).</p>
Quarter	The period of 3 calendar months (ending on 31 December, 31 March, 30 June and 30 September in each year)
Record Date	5.00pm on the fifth Business Day after the Effective Date or such other date as agreed in writing between PCL and Bellawest
Register	The share register of Shareholders kept pursuant to the Corporations Act
Registry	Boardroom Pty Limited
Related Bodies Corporate	Has the meaning given to it in the Corporations Act
Representative	In respect of an entity or its Related Bodies Corporate, each director, officer,

	employee, adviser, agent or representative of that entity or Related Body Corporate
Requisite Majority	<p>(a) In relation to the Ordinary Scheme Resolution, a resolution passed by:</p> <p>(i) unless the Court orders otherwise, a majority in number (more than 50%) of Voting Shareholders, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and</p> <p>(ii) at least 75% of the total number of votes cast by Voting Shareholders on the resolution;</p> <p>(b) In relation to the Financial Assistance Resolution a resolution passed by at least 75% of the total number of votes cast by Voting Shareholders present and voting at the General Meeting (in person or by proxy, corporate representative or attorney)</p> <p>(c) In relation to the Capital Reduction Resolution:</p> <p>(i) a resolution passed by at least 75% of the total number of votes cast by Voting Shareholders, who are present and voting at the General Meeting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; but</p> <p>(ii) with any votes cast in favour of the Capital Reduction Resolution by Preference Shareholders being disregarded</p> <p>(d) In relation to the Preference Scheme Resolution, a resolution passed by:</p> <p>(i) unless the Court orders otherwise, a majority in number (more than 50%) of Voting Shareholders, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and</p> <p>(ii) at least 75% of the total number of votes cast by Voting Shareholders on the resolution; and</p> <p>(e) In relation to the Cancellation Resolution, a resolution passed by at least 75% of the total number of votes cast by Voting Shareholders, who are present and voting at the Preference General Meeting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative.</p>
Ruz	Ruz Pty Limited (ACN 109 273 305)
Schemes	The Ordinary Scheme and the Preference Scheme
Scheme Consideration	The Ordinary Scheme Consideration and/or the Preference Scheme Consideration, as appropriate

Scheme Implementation Deed	The amended and restated scheme implementation deed dated 26 August 2016 between PCL and Bellawest, the key terms of which are summarised in section 18 of this Explanatory Booklet
Scheme Share	A Share held by a Scheme Shareholder on the Record Date.
Scheme Shareholder	Each person who is a Shareholder (other than the Non-Participating Shareholders) as at the Record Date
Second Court Date	The day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Schemes is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard
Shares	Ordinary Shares and/or Preference Shares, as applicable
Shareholder	The Ordinary Shareholders and the Preference Shareholders
Subsidiary	Has the meaning given to it in section 9 of the Corporations Act
Substantial Shareholder	A person who has a substantial holding (as that term is defined in section 9 of the Corporations Act) of Ordinary Shares
Superior Proposal	A bona fide proposal under which a Third Party may acquire control of PCL which is received by PCL, and the Independent Directors, acting in good faith and having regard to the conditions and circumstances of the proposal, including whether it is supported by the Bellawest Associates, determine that proposal is more favourable to Shareholders, or Preference Shareholders (as applicable), than the Schemes
Term	In relation to a Bellawest Note or a PCL Note means the terms set out in Schedule 1 of, respectively, the Bellawest Note Trust Deed or the PCL Note Trust Deed
Third Party	A person other than Bellawest and its Associates
Transaction	The acquisition of the Ordinary Scheme Shares by Bellawest by way of the Ordinary Scheme and cancellation of the Preference Scheme Shares by PCL in consideration for the Preference Scheme Consideration to be provided by way of the Preference Scheme
Transaction Meetings	The Preference Scheme Meeting, Preference General Meeting, Ordinary Scheme Meeting and General Meeting
Transaction Resolutions	The Ordinary Scheme Resolution, the Preference Scheme Resolution, Cancellation Resolution, Financial Assistance Resolution and the Capital Reduction Resolution
Trustee	In respect of both the Bellawest Notes and the PCL Notes, Australian Executor Trustee Limited, ACN 007 869 794
Voting Entitlement Time	The time and date on which Shareholders need to be recorded in the Register in order to be entitled to vote at the applicable Transaction Meetings (as at the date of this Explanatory Booklet, this date is expected to be 7.00pm on 29 October 2016)

Voting Power	Has the meaning given to that term in section 610 of the Corporations Act	
Voting Shareholder	(a)	In respect of the Ordinary Scheme Meeting and the Financial Assistance Resolution to be put to Ordinary Shareholders at the General Meeting, each person who is an Ordinary Shareholder at the Voting Entitlement Time other than the Bellawest Associates;
	(b)	In respect of the Capital Reduction Resolution to be put to Shareholders at the General Meeting, each person who is a Shareholder at the Voting Entitlement Time other than the Bellawest Associates; and
	(c)	In respect of the Preference Scheme Meeting and the Preference General Meeting, each person who is a Preference Shareholder at the Voting Entitlement Time other than the Bellawest Associates.
VWAP	Volume weighted average price	

20.2 Interpretation

In this Explanatory Booklet (other than the Annexures), unless the context requires otherwise:

- All dates and times are Sydney, New South Wales times unless otherwise indicated.
- Unless otherwise specified, all references to “\$”, “A\$”, “dollar” and “cent” are references to Australian currency
- Words and phrases not otherwise defined in this Explanatory Booklet (excluding the Annexures) have the same meaning (if any) as is given to them by the Corporations Act.
- A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- The singular includes the plural and vice versa.
- A reference to a “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency.
- Headings are for ease of reference only and do not affect the interpretation of this Explanatory Booklet.
- A reference to a Section or Annexure is a reference to a section of or annexure to (respectively) of this Explanatory Booklet unless stated otherwise.

Annexure A Independent Expert's Report



Grant Thornton

An instinct for growth™

PAYCE Consolidated Limited

Independent Expert's Report and Financial Services Guide

23 September 2016

The Independent Directors
PAYCE Consolidated Limited
Level 37, Chifley Tower
2 Chifley Square
Sydney NSW 2000

23 September 2016

Dear Sirs

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Independent Expert's Report and Financial Services Guide

Introduction

PAYCE Consolidated Limited ("PAYCE" or the "Company") is an ASX listed property developer with a market capitalisation of approximately \$188.5 million as at 30 August 2016.

Bellawest Pty Limited ("Bellawest" or the "Bidder")¹ is a company associated with PAYCE's Managing Director, Mr Brian Boyd ("Mr Boyd"). Mr Boyd and his associates currently hold 49.93% of PAYCE's Ordinary Shares ("Ordinary Shares" or "PAYCE Shares") and 12.57% of PAYCE's Preference Shares ("Preference Shares").

On 1 July 2016 and then on 26 August 2016, the Independent Directors of PAYCE ("the Independent Directors") announced that PAYCE had entered, and then amended and restated a Scheme Implementation Deed (the "SID") to propose two interdependent schemes of arrangement under Part 5.1 of the Corporations Act as summarised below:

- Ordinary Shares scheme pursuant to which the Bidder will acquire all of the outstanding Ordinary Shares other than those held by Bellawest and Lanox Pty Limited ("Bellawest Associates")² by way of a scheme of arrangement ("Ordinary Scheme").
- Preference Shares scheme pursuant to which PAYCE will undertake a selective reduction of the capital and cancellation of all Preference Shares ("Preference Scheme").

The SID regulates the terms and the interrelation between the Ordinary Scheme and Preference Scheme (the Ordinary Scheme and the Preference Scheme are jointly referred to as the "Proposed Schemes"), as summarised below.

¹ Bellawest is an Australian investment holding company incorporated on 1 June 2016 as a special purpose vehicle to facilitate the acquisition of PAYCE ordinary shares.

² We understand that Ruz Pty Limited (an associate of Mr Brian Boyd) will be participating in the Proposed Schemes. Accordingly, for the avoidance of doubt, references to the 'Bellawest Associates' excludes Ruz Pty Limited.



Ordinary Scheme

Under the terms of the Ordinary Scheme, PAYCE ordinary shareholders other than the Bellawest Associates (“Ordinary Scheme Shareholders”) have the option to receive the following consideration for each Ordinary Share:

- Cash of \$12.60 per Ordinary Share (“Cash Consideration”); or
- An unsecured note issued by the Bidder (“Bellawest Notes”) with a face value of \$12.60, a maturity of two years and an interest rate of 6.5% per annum paid quarterly in arrears (“Ordinary Scheme Notes Consideration”); or
- A combination of both (“Mixed Consideration”).

If no election or no valid election is made, the default consideration will be the Cash Consideration. Ineligible overseas shareholders will receive the Cash Consideration only.

Preference Scheme

Under the terms of the Preference Scheme, PAYCE must effect a selective capital reduction and cancellation of all Preference Shares. The consideration to be received by the holders of the Preference Shares (“Preference Scheme Shareholders”)³ will comprise the following (“Preference Consideration”) for each Preference Share:

- A cash consideration of \$1.00 per Preference Share plus an amount equal to any dividend payable on the Preference Share up to the date of implementation; and
- An unsecured note issued by PAYCE with a face value of \$6.50, maturity of 4 years and an interest rate of 7.5% per annum paid quarterly in arrears (“PAYCE Note”).

Ineligible overseas shareholders will receive cash consideration equivalent to the Preference Consideration.

Other key terms of the SID include:

- Lanox Pty Limited (“Guarantor”), an entity controlled by Mr Boyd and his associates, which currently holds a 44.4% interest in the Ordinary Shares, has entered into a deed poll with the Bidder for the purpose of covenanting in favour of the Ordinary Scheme Shareholders that the Bidder will perform its obligations under the SID and the Ordinary Scheme.
- PAYCE Finance Pty Limited (“PAYCE Finance”) will provide financial accommodation to the Bidder in the form of a loan in an amount calculated by reference to the cash required to be paid to the Ordinary Scheme Shareholders up to a maximum of \$120 million⁴ (“PAYCE Loan”).
- PAYCE has entered into the typical no talk and no shop provisions.

³ Including Mr Boyd and his associates.

⁴ The PAYCE Loan is repayable no later than 3 years from the drawdown, with interest payable at a rate of 6% per annum.



- Subject to certain carve-outs⁵, the Independent Directors, unanimously recommend that the relevant shareholders vote in favour of the Proposed Schemes and they intend to vote or cause to be voted all PAYCE Shares in which they have a relevant interest in favour of the Proposed Schemes.

Subject to obtaining the necessary shareholder approvals and the conditions precedent to the Proposed Schemes being satisfied or waived, the Proposed Schemes will be implemented based on the following transaction steps:

- Step 1 – the Ordinary Shareholder (other than the Bellawest Associates) will vote on the Ordinary Scheme.
- Step 2 – the General Meeting at which Ordinary Shareholders (other than the Bellawest Associates) will vote on the Financial Assistance Resolution and all Shareholders (other than the Bellawest Associates) will vote on the Capital Reduction Resolution (but any votes cast in favour of the Capital Reduction Resolution by Preference Shareholders and their associates will be disregarded).
- Step 3 – the Preference Shareholders (other than the Bellawest Associates) will vote on the Preference Scheme.
- Step 4 – the Preference Shareholders (other than the Bellawest Associates) will vote on the cancellation of the Preference Shares at the general meeting of the Preference Shareholders.

Purpose of the report and approach

An Independent Expert's Report ("IER") is required in relation to the Ordinary Scheme given that Mr Boyd and his associates hold an interest in PAYCE in excess of 30%. In addition, given that the Preference Scheme and the Ordinary Scheme are inter-conditional between each other, we have also formed an opinion on the Preference Scheme.

However we note that there is not a legal requirement for the IER to be commissioned in relation to the Preference Scheme given that Mr Boyd has a relevant interest in less than 30% of the Preference Shares.

Grant Thornton Corporate Finance has also not formed an opinion in relation to the financial assistance to be provided by PAYCE Finance to the Bidder via the PAYCE Loan.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Ordinary Scheme is fair and reasonable and hence in the best interests of Ordinary Scheme Shareholders.

Grant Thornton Corporate Finance has concluded that the Preference Scheme is fair and reasonable and hence in the best interests of Preference Scheme Shareholders.

⁵ No superior proposal emerging and subject to an Independent Expert concluding that the Ordinary Scheme and the Preference Scheme are in the best interests of PAYCE Shareholders.

Ordinary Scheme

Fairness of the Ordinary Scheme

In forming our opinion in relation to the fairness of the Ordinary Scheme, we have compared the value per PAYCE Ordinary Share before the Ordinary Scheme on a control basis to the value of the Cash Consideration, (the default consideration), the Ordinary Scheme Notes Consideration and the Mixed Consideration.

Fairness assessment of the Cash Consideration

The following table summarises our assessment of the Cash Consideration:

Fairness analysis: Cash consideration	Reference	Units	Low	High
Value per PAYCE share before the Ordinary Scheme (on a control basis)	Section 6.7	A\$	10.53	12.82
Cash Consideration		A\$	12.60	12.60
Premium /(Discount)			2.07	(0.22)
Premium /(Discount)%			19.7%	(1.7)%

Source: GTCF calculations

The Cash Consideration is at the high-end of our assessed valuation range of a PAYCE Share on a control basis. Accordingly, we conclude that the Cash Consideration is fair to the Ordinary Scheme Shareholders.

PAYCE Shareholders should be aware that our assessment of the value per PAYCE Share does not reflect the price at which PAYCE Shares will trade if the Proposed Schemes are not implemented. The price at which PAYCE Shares will ultimately trade depends on a range of factors including the liquidity of PAYCE Shares, macro-economic conditions, the underlying performance of PAYCE, and the supply and demand for PAYCE Shares.

Fairness assessment of the Ordinary Scheme Notes Consideration

Whilst the Cash Consideration is the default option, Ordinary Scheme Shareholders can also elect to receive the Bellawest Notes, which have a face value of \$12.60 per note.

In our fairness assessment, we have first benchmarked the terms of the Bellawest Notes (i.e. interest rate, maturity, unsecured nature, counterparty risk) with comparable commercial debt facilities to assess whether or not the face value of the Bellawest Notes is representative of their fair market value and then compared the Ordinary Scheme Notes Consideration with the fair market value of PAYCE before the Proposed Schemes on a control basis.

Based on the benchmark analysis undertaken, we have concluded that the fair market value of the Bellawest Notes is equal to the face value of \$12.60 and, accordingly the fair market value of the Ordinary Scheme Notes Consideration is equivalent to the Cash Consideration.

The fair market value of the Bellawest Notes of \$12.60 per note is at the high-end of our assessed valuation range of a PAYCE Share on a control basis between \$10.53 and \$12.82. Accordingly, we



conclude that the Ordinary Scheme Notes Consideration is fair to the Ordinary Scheme Shareholders.

Whilst we have concluded that the value of the Ordinary Scheme Notes Consideration is substantially equivalent to the Cash Consideration, we note that our assessment of the fair market value of the Ordinary Scheme Notes Consideration is based on a subjective benchmark analysis of the terms of the Bellawest Notes with limited publicly available information on similar debt instruments. Accordingly, ***whilst from a strict financial perspective the Ordinary Scheme Notes Consideration appears substantially equivalent to the Cash Consideration, we recommend Ordinary Scheme Shareholders to carefully consider the disadvantages of opting for the Ordinary Scheme Notes Consideration as set out below and if in doubt to opt for the Cash Consideration.***

Fairness assessment of the Mixed Consideration

Given that we have estimated that the fair market value of the Cash Consideration and the Ordinary Scheme Notes Consideration are equivalent and they are both fair to the Ordinary Scheme Shareholders, we conclude that the Mixed Consideration is fair to the Ordinary Scheme Shareholders.

Reasonableness of the Ordinary Scheme

For the purpose of assessing whether or not the Ordinary Scheme is reasonable to the Ordinary Scheme Shareholders, we have considered the following likely advantages, disadvantages and other factors associated with the Ordinary Scheme. We note that in accordance with RG111, the Ordinary Scheme is reasonable if it is fair.

Advantages

Premium for control

The Cash Consideration of \$12.60 per Ordinary Share represents an 80% premium to the trading prices of PAYCE Shares before the announcement of the SID on 1 July 2016 in terms of the last share trade, the VWAP of the last month and the VWAP of the last three months.

Whilst it is commonly accepted that acquirers of 100% of companies pay a premium to obtain control, and extract synergies, we note that Mr Boyd and his associates already effectively control PAYCE via their 49.93% interest in PAYCE's Ordinary Shares.

Notwithstanding that Mr Boyd already effectively controls PAYCE, the Cash Consideration represents a large premium over the trading prices before the announcement of the SID. This premium is unlikely to be available to the Ordinary Scheme Shareholders in the absence of the Ordinary Scheme.

Whilst, we are of the opinion that it is relevant information for the Ordinary Scheme Shareholders to understand the premium for control implied in the Cash Consideration, we also caution that the shares of PAYCE listed on the ASX are illiquid with the top 10 shareholders holding almost 95% of the issued capital of PAYCE. Accordingly, the share price may not be representative of the fair market value of PAYCE on a minority basis.



As discussed in our fairness assessment, we have concluded that the fair market value of the Bellawest Note is consistent with its face value. Accordingly, the Ordinary Scheme Notes Consideration implies the same premium for control as the Cash Consideration. However as discussed before, we recommend Ordinary Scheme Shareholders to carefully consider the consequences of opting for the Ordinary Scheme Notes Consideration and if in doubt to opt for the Cash Consideration.

Ability for Scheme Shareholders to realise their investment in PAYCE

The Proposed Schemes represents an opportunity for Ordinary and Preference Scheme Shareholders (“Scheme Shareholders”) to receive certain and immediate value for their investment in PAYCE free of any realisation costs.

Scheme Shareholders will no longer be exposed to the on-going risks associated with holding an investment in PAYCE which include, but are not limited to, the volatility of the real estate property industry, operational risks of PAYCE completing projects, interest rates and other macroeconomic conditions. The historical financial performance of PAYCE has been volatile which is typical of a company whose performance is linked to the completion of large projects with inherently “lumpy” cash flows. The value of PAYCE is largely dependent on its pipeline of development projects. Successful development of a few key projects requires land re-zoning and development approvals, both of which not only take considerable time but also, there is no certainty of a successful outcome.

In the absence of the Ordinary Scheme, it is unlikely that the Ordinary Scheme Shareholders will be able to realise a value in line with the Cash Consideration.

Whilst the Ordinary Scheme Notes Consideration does not provide immediate liquidity to the Ordinary Scheme Shareholders who opt for this consideration, we note that they are effectively swapping one Ordinary Share with one Bellawest Note which we have assessed to have a face value in line with the Cash Consideration of \$12.60 per share. However, Ordinary Scheme Shareholders opting to receive the Ordinary Scheme Notes Consideration will remain exposed to risks of PAYCE’s business even though as unsecured creditors they will rank ahead of ordinary shareholders of Bellawest in the case of a winding-up.

Lack of liquidity of PAYCE Shares

PAYCE Shares listed on the ASX are illiquid with almost 95% of the issued capital held by the top 10 shareholders.

If the Ordinary Scheme is implemented, it will provide an opportunity for the Ordinary Scheme Shareholders to exit an illiquid investment at a significant premium to the share price. In the absence of the Proposed Schemes or alternative transactions, it is unlikely that PAYCE Ordinary Shareholders will be able to realise their investment at a value comparable or equivalent to the Cash Consideration or to the Ordinary Scheme Notes Consideration.



No brokerage costs

If the Proposed Schemes are implemented, Ordinary Scheme Shareholders will be able to realise their investment in PAYCE without incurring any brokerage costs.

Disadvantages

No participation in future potential upside of PAYCE

If the Ordinary Scheme is implemented, Ordinary Scheme Shareholders electing to receive the Cash Consideration will give up the right to participate in the future potential upside and growth opportunities of PAYCE. The track record of PAYCE in delivering profitable growth through completion of their projects (especially over the recent 12-18 months) and the pipeline of future projects may generate continued and significant upside for PAYCE shareholders.

In particular, we note that PAYCE holds a 50% interest in a joint venture which is seeking to develop a large land-bank (29.2 hectares) in Sydney (the Melrose Park Project). The successful development of the Melrose Park Project will require land re-zoning (the majority of the land-bank is currently industrial land), land subdivision and development approvals among others. Whilst there is no certainty of a successful development of this project, if the Proposed Schemes are implemented, the Ordinary Scheme Shareholders will not participate in the potential upside of the Melrose Park Project. Based on discussions with the Independent Directors and the Management Team, we have been instructed that the development of the Melrose Park Project is progressing slowly and no material price catalysts are expected in the short-term.

The Bidder is a private and unlisted company – Ordinary Scheme Notes Consideration and Mixed Consideration only

The Bellawest Notes are unsecured notes to be issued by Bellawest, a private and unlisted company controlled by Mr Boyd. Holding a debt instrument in a private company is typically perceived to be more risky due to the relatively lower level of transparency, disclosure and corporate governance. However, we note that Bellawest will be a disclosing entity for the purposes of the Corporations Act and accordingly it will keep Bellawest Note holders up to date with material disclosures, financial statements and quarterly reports.

We also understand that as set out in section 15.2 of the Scheme Booklet, Bellawest is required by ASIC to make particular disclosures on specified benchmarks. As summarised below, Bellawest is expected to satisfy these benchmarks if the Proposed Schemes are implemented:

- *Equity ratio*⁶ – Bellawest is expected to have an equity ratio of between 15% and 17% depending on the ratio of cash to Bellawest Notes issued. This is above ASIC's required equity ratio of 8%.
- *Liquidity* – Bellawest has prepared detailed cash flow estimates for the next 12 to 24 months which indicate that it will hold sufficient cash or cash equivalents to meet its projected cash needs, including the interest payments on the Bellawest Notes. We note that Grant Thornton Corporate Finance has not been provided with a copy of the these cash flows projections and accordingly it has not reviewed them.

⁶ Equity Ratio is calculated as total equity divided by total assets on the balance sheet.



- *Rollover* – Bellawest intends to repay all the Bellawest Notes on the maturity date (i.e. there is no rollover contemplated for the Bellawest Notes).
- *Debt maturity* – as set out in the Scheme Booklet, Bellawest has disclosed the maturity profile and interest rates of its interest-bearing liabilities.

Debt level of Bellawest following completion of the Proposed Schemes – Ordinary Scheme Notes Consideration and Mixed Consideration only

Following completion of the Proposed Schemes, the net debt and the debt ratio⁷ of Bellawest on a consolidated basis (i.e. including PAYCE) will increase materially⁸ compared with PAYCE before the Proposed Schemes due to the following:

- The consolidated cash resources of Bellawest will materially reduce by the payment of the Cash Consideration and the cash component of the Preference Consideration. Whilst Bellawest does not currently know the proportion of Ordinary Shareholders electing to receive the Cash Consideration or the Bellawest Notes or a combination of them, we note that the effect on the consolidated net debt of Bellawest after the Proposed Schemes will be the same⁹.
- PAYCE will issue circa \$65 million worth of PAYCE Notes which will increase the consolidated net debt level of Bellawest after the Proposed Schemes.

Upon maturity of the Bellawest Notes (2 year) and the PAYCE Notes (4 year), unless PAYCE monetise one or more of its current development projects, the Company will be required to refinance the Bellawest Notes (up to \$120 million) and the PAYCE Notes (circa \$65 million) with alternative debt instruments¹⁰ in order to repay them.

In addition, during the term of the Bellawest Notes, Bellawest will have interest obligations payable quarterly in relation to the PAYCE Notes (7.5% per annum) and the PAYCE Loan (6.0% per annum). Whilst these interest rates may be capitalised at the option of PAYCE and Bellawest, respectively there is no obligation to do so.

As a result, if market conditions materially deteriorate, the increased consolidated net debt and gearing levels may reduce the financial flexibility of Bellawest/PAYCE after the Proposed Schemes and pose potential challenges to the repayment of the Bellawest Notes and the PAYCE Notes.

However we note that this risk is partially mitigated by PAYCE's track record of successfully completing several development projects over the years. In addition, whilst PAYCE does have a large amount of capital invested in the Melrose Park Project which will require significant time and money in order to be developed and it is considered a fairly illiquid asset¹¹, PAYCE owns other assets that could be quickly realised if required.

⁷ Net debt is defined as interest bearing liabilities less cash. Gearing is defined as net debt divided by equity value.

⁸ The debt ratio (D/(D+E)) is expected to increase from approximately 40% for PAYCE before the Proposed Schemes to approximately 80% for Bellawest on a consolidated basis after the Proposed Schemes (based on the pro-forma balance sheet included in section 12.3 of the Explanatory Scheme Booklet). Refer to Appendix E for details.

⁹ If less Ordinary Shareholders elect to receive the Cash Consideration, Bellawest will issue an equivalent greater amount of Bellawest Notes and accordingly the impact on the net consolidated debt of Bellawest post the Proposed Schemes will not change.

¹⁰ Unless the maturity is extended by mutual agreement.

¹¹ Given that there are a limited number of parties that would have the financial capability and skillset required to buy and develop it.



Potential capitalisation of interest payments on the Bellawest Notes – Ordinary Scheme Notes Consideration and Mixed Consideration only

Bellawest may, at its absolute discretion, capitalise the interest payable on the Bellawest Notes. As a result, there is no certainty for the holders of the Bellawest Notes that they will receive any cash interest payments until maturity of the Bellawest Notes (2 years from the Proposed Schemes implementation date).

Debt level of Bellawest following completion of the Proposed Schemes compared with peer listed companies – Ordinary Scheme Notes Consideration and Mixed Consideration only

Following completion of the Proposed Schemes, Bellawest is expected to have a consolidated debt ratio of circa 80% which is materially higher than the debt ratio of listed comparable companies. Refer to Appendix E for details.

Other considerations

Prospect of a superior offer or alternative transaction

In our opinion, given that Mr Boyd and his associates presently hold 49.93% of the Ordinary Shares and a significant portion of goodwill of the Company resides with Mr Boyd, it is unlikely that a superior offer or an alternative proposal will emerge.

However, the transaction process should act as catalyst for potential interested parties and it will provide significant additional information in the Scheme Booklet and Independent Expert's Report to assess the merits of potential alternative transactions.

If an alternative proposal on better terms were to emerge, it is expected that this would occur prior to the shareholders meetings convened to consider the Proposed Schemes. In the event that an alternative offer on better terms emerges, shareholders will be entitled to vote against the Proposed Schemes or the Proposed Schemes meetings will be adjourned.

Financial Assistance

Based on the terms of the SID, PAYCE Finance will provide the PAYCE Loan to Bellawest of up to \$120 million to satisfy the payment of the Cash Consideration under the Ordinary Scheme. The structure of the Ordinary Scheme effectively allows Mr Boyd to privatise PAYCE using the surplus cash on the balance sheet of the Company.

The Proposed Schemes do not materially prejudice the Company's ability to pay its creditors

We note that whilst the gearing level of the Company will increase materially after the Proposed Schemes, majority of the Company's existing creditors hold secured loans specific to individual properties with security held over land and buildings. Given the Bellawest Notes and PAYCE Notes will be unsecured and will rank after the existing secured creditors, in our opinion, the Proposed Schemes are unlikely to prejudice the Company's ability to pay its creditors in the absence of a significant deterioration in market conditions.



Tax implications

If the Ordinary Scheme is implemented, Ordinary Scheme Shareholders may crystallise a capital gains tax liability, however the taxation consequences for shareholders will vary according to their individual circumstances. If appropriate or required, Ordinary Scheme Shareholders should seek independent financial and tax advice on the implications of approving the Ordinary Scheme.

Implications if the Proposed Schemes are not implemented

In the absence of the Proposed Schemes, all other things being equal, it is likely that PAYCE Shares will trade at prices below the value of the Cash Consideration offered under the Ordinary Scheme.

If the Proposed Schemes are not implemented, it would be the current Directors' intention to continue operating the Company in accordance with its objectives. Ordinary Scheme and Preference Scheme Shareholders would retain their shares and continue to share in any benefits and risks in relation to PAYCE's ongoing business.

Value of PAYCE for the Bidder

If the Proposed Schemes are implemented, PAYCE will be delisted from the ASX and the Bidder will realise direct synergies in relation to cost savings on listing fees, ASX compliance costs and Directors' fees. We have incorporated these cost savings into our valuation assessment of PAYCE on a 100% basis before the Proposed Schemes.

We do not consider that the Bidder will receive any material special value as a result of the Proposed Schemes.

Independent Directors' recommendations and intentions

In the absence of a superior proposal and subject to an Independent Expert concluding that the Proposed Schemes are in the best interests of Ordinary Scheme Shareholders and Preference Scheme Shareholders, the Independent Directors unanimously recommend that PAYCE Shareholders vote for the Proposed Schemes.

The Independent Directors of PAYCE intend to vote in favour of the Ordinary Scheme any PAYCE Shares in which they have a relevant interest and in respect of which they have power to vote.

Reasonableness conclusion of the Ordinary Scheme

Based on the qualitative factors identified above, it is our opinion that the Ordinary Scheme is reasonable to the Ordinary Scheme Shareholders.

Overall conclusion of the Ordinary Scheme

After considering the abovementioned quantitative and qualitative factors relevant to the Ordinary Scheme Shareholders, we have formed our opinion that the Ordinary Scheme is fair and reasonable and hence, is in the best interests of the Ordinary Scheme Shareholders.

Preference Scheme

Fairness of the Preference Scheme

In forming our opinion in relation to the fairness of the Preference Scheme, we have compared the fair market value per PAYCE Preference Shares to the PAYCE Notes.

Fairness analysis: Preference Scheme	Reference	Units	
Value per PAYCE Preference Share	Section 8.1	A\$	7.50
Preference Consideration ¹	Section 8.2	A\$	7.50
Premium /(Discount)			0.0%
Premium /(Discount)%			0.0%

Source: GTCF calculations

Note (1): Preference Consideration includes \$1.00 cash and 1 PAYCE Note for each Preference Share.

As outline above, we have observed that the value of the PAYCE Notes is substantially equivalent to the value of the PAYCE Preference Shares, accordingly we have concluded that the Preference Scheme is fair to the Preference Scheme Shareholders.

Reasonableness of the Preference Scheme

For the purpose of assessing whether or not the Preference Scheme is reasonable to the Preference Scheme Shareholders, we have considered the following likely advantages, disadvantages and other factors associated with the Preference Scheme. We note that in accordance with RG111, the Preference Scheme is reasonable if it is fair.

Advantages

Lack of liquidity of the Preference Shares

The liquidity of Preference Shares is currently extremely limited due to the following:

- They are unlisted securities and there is not an active and liquid market for them.
- They do not have a maturity date and accordingly unless PAYCE decides to redeem them, they will remain on issue in perpetuity. However we note that this risk is mitigated by the fact that when the Preference Shares yield 12% per annum¹² from FY22 onwards, it may be financially beneficial for PAYCE to redeem and refinance them with alternative and more cost effective debt instruments.

¹² The dividend on the Preference Shares increases by 1% every year capped at 12%. In FY17, the dividend rate is 7% per annum.



If the Preference Scheme is implemented, it will provide an opportunity for the Preference Scheme Shareholders to exit¹³ an illiquid investment at a price in line with Grant Thornton Corporate Finance's assessment of their fair market value. In the absence of the Preference Scheme, if PAYCE does not redeem the Preference Shares, it is unlikely that the Preference Shareholders will be able to realise their investment at a value in line with the face value of the Preference Shares.

Potential premium paid to the Preference Scheme Shareholders

Whilst we have assessed that fair market value of the Preference Shares is consistent with their face value of \$7.50, we note that our valuation assessment assumes an indefinite life of the Preference Shares.

If PAYCE redeems the Preference Shares in the short/medium term, the fair market value of the Preference Shares will be lower than their face value. This is due to the fact that currently the return generated on the Preference Shares (7% in FY17 and increasing by 1% every year but capped at 12% per annum) is lower than our assessment of the market return required by alternative investments with a similar risk profile (assessed at 10.50% per annum).

In the table below we have included a sensitivity analysis to show the potential premium paid to the Preference Scheme Shareholders if the Preference Shares were redeemed by PAYCE in the short/medium term.

Sensitivity analysis	Estimated time for PAYCE to redeem the Preference Shares					
	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22
Estimated fair value of the Preference Shares	7.33	7.20	7.13	7.13	7.17	7.25
Consideration offered (fair value of PAYCE Notes)	7.50	7.50	7.50	7.50	7.50	7.50
Implied premium	2.3%	4.2%	5.1%	5.2%	4.6%	3.4%

Fixed return

The PAYCE Notes will generate a fixed return of 7.5% per annum for the holders whilst the return on the Preference Shares is uncertain due to the following:

- PAYCE may elect not to pay a dividend on the Preference Shares.
- If PAYCE elects to pay a dividend on the Preference Shares, it has the discretion to pay the dividend in either cash, the issue of additional Preference Shares at \$7.50 each or a combination of them.
- The ability of PAYCE paying a dividend on the Preference Shares is subject to the operational risks of PAYCE.

However, we also note that PAYCE may, at its absolute discretion, capitalise the interest payable on the PAYCE Notes. As a result, there is no certainty for the holders of the PAYCE Notes that they will receive any cash interest payments until maturity of the PAYCE Notes (4 years from the Proposed Schemes implementation date).

¹³ We note that the Preference Scheme Shareholders are effectively swapping Preference Shares for PAYCE Notes, however the PAYCE Notes have a maturity of 4 years which effectively provide certainty of an exit to the Preference Shareholders.



Current return of the Preference Shares

The return of the Preference Shares for FY17 is 7.0% (subject to PAYCE deciding to make a distribution on the Preference Shares) which is lower than the fixed return payable on the PAYCE Notes of 7.5%.

Disadvantages

Re-investment risk associated with the PAYCE Notes

Assuming that the current market conditions, including the low interest rate environment, would have remained in the long term, and PAYCE would have not redeemed the Preference Shares, the Preference Scheme Shareholders may find it challenging when the PAYCE Notes mature to find alternative investments with risk/reward similar to the Preference Shares¹⁴.

Potential capitalisation of interest payments on the PAYCE Notes.

PAYCE may, at its absolute discretion, capitalise the interest payable on the PAYCE Notes. As a result, there is no certainty for the holders of the PAYCE Notes that they will receive any cash interest payments until maturity of the PAYCE Notes (4 years from the Proposed Schemes implementation date).

PAYCE will become an unlisted company

If the Proposed Schemes are implemented, PAYCE will become a private and unlisted company. As discussed previously, holding a debt instrument in a private company is typically perceived to be more risky due to the relatively lower level of transparency, disclosure and corporate governance.

Bellawest debt level following completion of the Proposed Schemes

As discussed previously, following completion of the Proposed Schemes, the net debt and gearing levels of Bellawest on a consolidated basis (i.e. including PAYCE) will increase materially. If market conditions materially deteriorate, the increased consolidated net debt and gearing levels may reduce the financial flexibility of Bellawest/PAYCE after the Proposed Schemes and pose potential challenges to the repayment of the PAYCE Notes. However, in absence of the Preference Scheme, Preference Scheme Shareholders face similar risks.

¹⁴ We note that from FY22 onwards the dividend rate on the Preference Shares increases and remains flat at 12% per annum.

Debt level of Bellawest and PAYCE following completion of the Proposed Schemes compared with peer listed companies

Following completion of the Proposed Schemes, Bellawest is expected to have a consolidated debt ratio of circa 80% and PAYCE of circa 65%¹⁵ which are materially higher than the debt ratio of listed comparable companies. Refer to Appendix E for details.

Reasonableness conclusion of the Preference Scheme

Based on the qualitative factors identified above, it is our opinion that the Preference Scheme is reasonable to the Preference Scheme Shareholders.

Overall conclusion of the Preference Scheme

After considering the abovementioned quantitative and qualitative factors relevant to Preference Scheme Shareholders, we have formed our opinion that the Preference Scheme is fair and reasonable and hence in the best interests of the Preference Scheme Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision as to whether or not to approve the Proposed Schemes is a matter for each shareholder of PAYCE based on their own views of value of PAYCE and expectations about future market conditions, PAYCE's performance, risk profile and investment strategy. If the shareholders are in doubt about the action they should take in relation to the Proposed Schemes, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
Director



NEIL COOKE
Director

¹⁵ The PAYCE debt is lower than the consolidated Bellawest debt as it does not include the Bellawest Notes.

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by PAYCE to provide general financial product advice in the form of an independent expert’s report in relation to the Proposed Schemes. This report is included in the Company’s Scheme Booklet.

2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from PAYCE a fixed fee of approximately \$160,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of PAYCE in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with PAYCE (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Schemes.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Schemes, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the Shareholders Meetings should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Overview of the Proposed Schemes

1.1 Key conditions precedents of the Proposed Schemes

Set out below is a summary of the key conditions precedent to the Proposed Schemes. Refer to the Scheme Booklet for further information.

- PAYCE's Ordinary Shareholders and Preference Shareholders approve all the resolutions in relation to the Proposed Schemes by the majorities required under the Corporations Act, 2001 ("Corporations Act").
- The Proposed Schemes are approved by the Court under section 411(4)(b) of the Corporation Act either unconditionally or on conditions that do not impose unduly onerous obligations upon any party.
- The financial assistance provided by PAYCE Finance to the Bidder via the PAYCE Loans approved in accordance with section 260B of the Corporations Act.
- The approval of the Capital Reduction Resolution at the General Meeting and the approval of the Cancellation Resolution at the Preference General Meeting.
- An independent expert concluding that the Proposed Schemes are in the best interest of Scheme Shareholders.
- Other conditions precedents customary for a transaction of this type.

1.2 Bellawest Notes

Set out below are the key terms of the Bellawest Notes.

Key terms of Bellawest Notes	
Face value	\$12.60
Interest	(i) Interest rate of 6.5% per annum paid quarterly in arrears. (ii) Bellawest may elect to capitalise interest payable on any interest payment date.
Security	All Notes are unsecured notes and rank pari passu with all other unsecured creditors of Bellawest.
Redemption of Notes	(i) All Notes must be redeemed by Bellawest by the end of the quarter on or following the second anniversary of the issue of the Notes ("Maturity Date"). (ii) Early redemption may only occur after the issue of a Trigger Notice. (iii) Each note is redeemable by the noteholder giving Bellawest written notice or Bellawest giving the noteholder written notice ("Redemption Notice"). (iv) A Redemption Notice may only be given by a noteholder following an event of default by Bellawest and with the prior approval of the noteholders by ordinary resolution. (v) Other than a redemption notice in respect of redemption on the Maturity Date, a Redemption Notice may only be given by the issuer during the period between 28 and 7 days prior to an interest payment date. (vi) Unless Bellawest is redeeming all Notes, Bellawest must redeem the Notes pro-rata in accordance with the number of Notes held by each noteholder.
Participation rights	The Bellawest Notes carry no right (i) To participate in any issue or offer of securities to the holders of shares or other securities of Bellawest; or (ii) To be reconstructed or re-organised by reference to any reconstruction or re-organisation of the capital of Bellawest.

Source: SID

1.3 The PAYCE Notes

Set out below are the key terms of the PAYCE Notes. We note that the Preference Scheme Shareholders will also receive a cash payment of \$1 per Preference Share in addition to one PAYCE Note such that the face value of the total consideration received of \$7.50 is equivalent to the face value of a Preference Share plus the amount of any capitalised interest and any amount of interest accrued but unpaid.

Key terms of PAYCE Notes	
Face value	\$6.50
Interest	(i) Interest rate of 7.5% per annum paid quarterly in arrears. (ii) PAYCE may elect to capitalise interest payable on any interest payment date.
Security	All Notes are unsecured notes and rank pari passu with all other unsecured creditors of PAYCE.
Redemption of Notes	(i) All Notes must be redeemed by PAYCE by the end of the quarter on or following the fourth anniversary of the issue of the Notes ("Maturity Date"). (ii) Early redemption may only occur after the issue of a Trigger Notice. (iii) Each note is redeemable by the noteholder giving PAYCE written notice or PAYCE giving the noteholder written notice ("Redemption Notice"). (iv) A Redemption Notice may only be given by a noteholder following an event of default by PAYCE and with the prior approval of the noteholders by ordinary resolution. (v) Other than a redemption notice in respect of redemption on the Maturity Date, a Redemption Notice may only be given by the issuer during the period between 28 and 7 days prior to an interest payment date. (vi) Unless PAYCE is redeeming all Notes, PAYCE must redeem the Notes pro-rata in accordance with the number Notes held by each noteholder.
Participation rights	The PAYCE Notes carry no right (i) To participate in any issue or offer of securities to the holders of shares or other securities of PAYCE; or (ii) to be reconstructed or re-organised by reference to any reconstruction or re-organisation of the capital of PAYCE.

Source: SID

1.4 The Guarantee

Lanox Pty Limited, an entity controlled by Mr Boyd and his associates, which currently holds a 44.4% interest in the Ordinary Shares of PAYCE, has entered into a deed poll with the Bidder for the purpose of covenanting in favour of the Ordinary Scheme Shareholders that the Bidder will perform its obligations under the SID and the Ordinary Scheme.

1.5 PAYCE Loan

The Cash Consideration under the Ordinary Scheme will be funded by the Bidder by way of the PAYCE Loan from PAYCE Finance, a subsidiary of PAYCE. Key terms of the PAYCE Loan include:

- The loan amount will be calculated by reference to the cash required to be paid to the Ordinary Scheme Shareholders up to a maximum of \$120 million.
- The PAYCE Loan is repayable by the Bidder no later than three years from the date of drawdown.
- Interest will be payable, quarterly in arrears, at an interest rate of 6% per annum.

1.6 Effect of the Proposed Schemes

If implemented, the Proposed Schemes will have the following effects:

- PAYCE will implement a capital reduction and cancellation of all the Preference Shares.
- The Preference Scheme Shareholders will receive a cash payment of \$1 plus 1 PAYCE Note with a face value of \$6.50 per Preference Share plus accrued dividends up until the Proposed Schemes are implemented.
- Bellawest will acquire all of the Ordinary Shares other than those held by Bellawest and Lanox.
- Ordinary Scheme Shareholders can opt to receive the Cash Consideration, Ordinary Scheme Notes Consideration or the Mixed Consideration in accordance with the terms of the Ordinary Scheme.
- PAYCE will be delisted from the ASX.
- PAYCE will become a wholly owned subsidiary of Bellawest and Lanox.
- It is expected that the management team of PAYCE will remain substantially unchanged if the Proposed Schemes are implemented.

2 Purpose and scope of the report

2.1 Purpose

Section 411 of the Corporations Act, 2001 regulates schemes of arrangement between companies and their members. Part 3 of Schedule 8 of the Corporations Regulations 2001 prescribes information to be sent to shareholders and creditors in relation to members' and creditors' schemes of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 of the Corporations Regulations requires an independent expert's report in relation to a scheme to be prepared when a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion. Even where there is no requirements for an independent expert's report, documentation for a members scheme of arrangement typically includes an independent expert's report.

As at the date of the report, the entities associated with Mr Boyd hold 49.93% of Ordinary Shares in PAYCE. As a result, there is a requirement under Part 3 of Schedule 8 of the Corporations Regulations for an independent expert's report to be prepared in respect of the Ordinary Scheme.

Whilst there is no legal requirement for an independent expert's report to be prepared in relation to the Preference Scheme, the Independent Directors have asked Grant Thornton Corporate Finance to form an opinion whether or not the Preference Scheme is in the best interest of the Preference Scheme Shareholders.

2.2 Basis of assessment

In determining whether the Proposed Schemes are in the best interests of the Company's members, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by the ASIC, including RG111, Regulatory Guide 142 Scheme of arrangement and ASIC review ("RG142") and Regulatory Guide 112 Independence of experts ("RG 112"). The independent expert's report will also include other information and disclosures as required by ASIC. We note that neither the Corporations Act nor the Corporations Regulations define the term "in the best interests of members".

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer.

RG111 requires an independent expert report to be prepared for a change of control transaction implemented by way of scheme of arrangement to undertake an analysis substantially the same as for a takeover bid. However, the opinion of the expert should be whether or not the Proposed Schemes is "in the best interests of the members of the company". If an expert were to conclude that a proposal was "fair and reasonable" if it was in the form of a takeover bid, it will also conclude that the Proposed Schemes is "in the best interests of the members of the company".

Pursuant to RG 111, an offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

RG 111 considers an offer to be “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

Ordinary Scheme

In our opinion, the most appropriate way to evaluate the fairness of the Ordinary Scheme is to compare the fair market value of PAYCE on a 100% and control basis with the Cash Consideration, the Ordinary Scheme Notes Consideration and the Mixed Consideration.

In considering whether the Ordinary Scheme is in the best interests of the Ordinary Scheme Shareholders, we have considered a number of factors, including:

- Whether the Ordinary Scheme is fair.
- The terms and conditions relating to the Ordinary Scheme.
- The implications to PAYCE and the Ordinary Scheme Shareholders if the Ordinary Scheme is not approved.
- Other likely advantages and disadvantages associated with the Ordinary Scheme.
- Other costs and risks associated with the Ordinary Scheme that could potentially affect the Ordinary Scheme Shareholders.
- Overall terms and conditions of the Proposed Schemes given that the Ordinary Scheme is interdependent with the Preference Scheme.

Preference Scheme

In forming our opinion in relation to the fairness of the Preference Consideration, we have compared the value per PAYCE Preference Share to the value of the PAYCE Note plus the cash consideration of \$1 per Preference Share plus accrued dividends up until the Proposed Schemes are implemented.

In our comment of the reasonableness of the Proposed Schemes, we have considered the advantages, disadvantages and other factors associated with the Proposed Schemes.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Schemes with reference to RG 112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Schemes other than that of an independent expert. Grant Thornton

Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Schemes.

2.4 Consent and other matters

Our report is to be read in conjunction with the Scheme Booklet dated on or around 31 October 2016 in which this report is included, and is prepared for the exclusive purpose of assisting the Scheme Shareholders in their consideration of the Proposed Schemes. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Scheme Booklet.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Ordinary Scheme and Preference Scheme on the Ordinary Scheme Shareholders as a whole and Preference Scheme Shareholders as a whole. We have not considered the potential impact of the Proposed Schemes on individual Scheme Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Schemes on individual shareholders.

The decision of whether or not to approve the Proposed Schemes is a matter for each Scheme Shareholder based on their own views of value of PAYCE and expectations about future market conditions, PAYCE's performance, risk profile and investment strategy. If Schemes Shareholders are in doubt about the action they should take in relation to the Proposed Schemes, they should seek their own professional advice.

The report has been prepared in accordance with the requirements of APES 225 "Valuation Services".

3 Profile of the industry

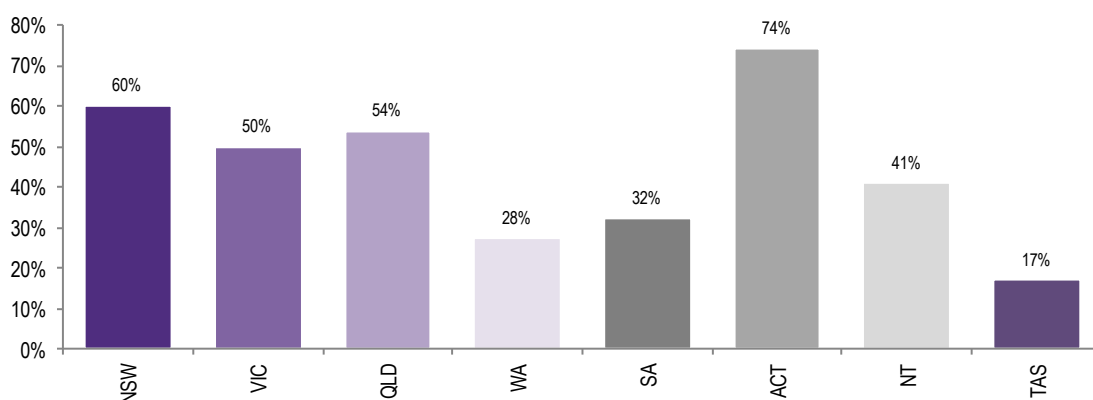
PAYCE operates within the Australian residential property industry, developing multi-unit apartments and townhouses. PAYCE's current project pipeline is focussed on mixed-use, medium density property development projects primarily in the Sydney metropolitan area. In this section of our report we have provided an overview of the multi-unit apartment and townhouse construction industry as well as the current sentiment of the Australian property market with a focus on the Sydney market.

3.1 Multi-unit apartment and townhouse construction industry

The multi-unit apartment and townhouse construction industry includes companies engaged in the construction of residential dwellings like apartments, condominiums, townhouses etc. In addition to new constructions, a small proportion of industry revenue comes from companies providing repair and maintenance services to existing buildings.

The industry has experienced increasing levels of activity in recent years, with demand driven by Australia's strong population growth, a shift in housing preferences from detached homes towards medium to high-density living¹⁶, as well as the inflow of foreign investment in the local property market. Industry activity over the last five years has been dominated by large multi-storey developments that have sprung up in the major capital cities. The increased investments in multi-unit and higher density housing has resulted in considerable growth in building commencements of inner-urban apartments across Australia's major capital cities¹⁷. In the 12 months to November 2015, half of the building approvals in Australia were for medium density dwellings, with New South Wales ("NSW") having the highest absolute number of approvals (39,792 approvals equal to 34.4% of the nation's total medium density approvals¹⁸). Furthermore, as shown in the graph below, 60.1% of all approvals in NSW were for medium density dwellings.

Medium density as % of total approvals



Source: Bankwest Housing Density Report 2016

In regards to the growth of medium density dwelling approvals, Queensland has the highest growth of medium density dwelling approvals, with the number of approvals growing by 53.1% in the 12 months to November 2015, ahead of the national growth rate of 33.9% and NSW growth rate of

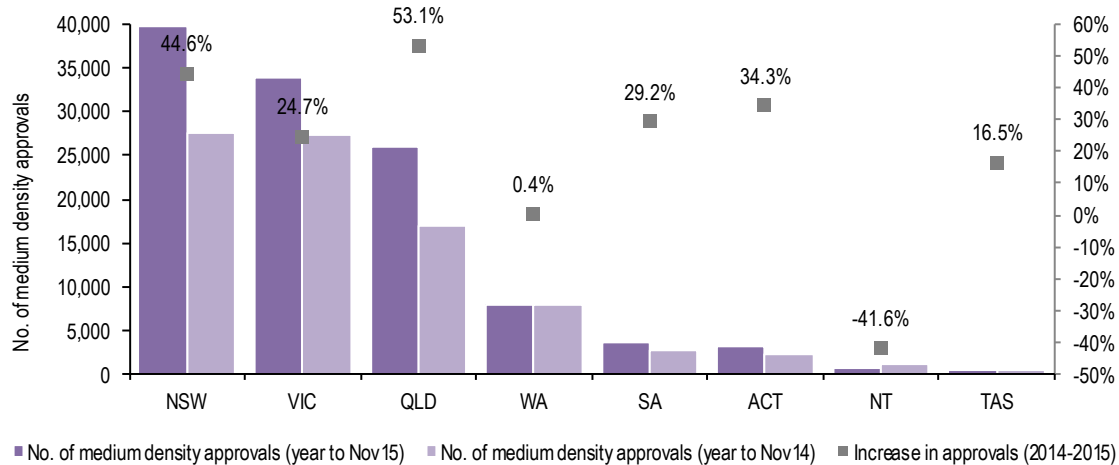
¹⁶ In part because of the high cost of residential land as well as a preference to buy a lifestyle close to inner cities

¹⁷ IBISWorld "Multi-Unit Apartment and Townhouse Construction", April 2016

¹⁸ Bankwest Housing Density Report March 2016

44.6%, as depicted in the graphs below.

Growth in the no. of medium density approvals



Source: Bankwest Housing Density Report 2016

In terms of revenue, over the last five years, revenue has grown at a compounded annual growth rate (“CAGR”) of 7.84%¹⁹.

3.2 Key demand drivers

Demand for residential properties including multi-unit apartments and other similar dwellings is driven by the following factors.

3.2.1 Mortgage affordability

Mortgage affordability, which refers to the cost of mortgage payments as a proportion of a household’s income, has a direct relationship with the purchase price of property. Mortgage affordability is also a key short-to-medium term determinant of housing demand. Mortgage affordability has improved over the last few years largely because of the fall in interest rates which has been greater than the rise in property prices. Over the next year, mortgage affordability will remain relatively stable and over the longer term is forecasted to decline as interest rates revert back to historic levels²⁰.

3.2.2 Property prices

Movements in property prices reflect the underlying demand for property and influence its affordability. Rising prices decrease the affordability of properties, and hence discourages homebuyers from purchasing property, whereas it encourages investors to purchase property in order to capitalise on price growth. Residential property prices in Sydney have increased by 9.7% over the year to March 2016, however they have decreased by 0.7% over the quarter to March 2016²¹.

¹⁹ IBISWorld Industry Report – Multi-unit Apartment and Townhouse Construction in Australia E3019, April 2016

²⁰ *ibid*

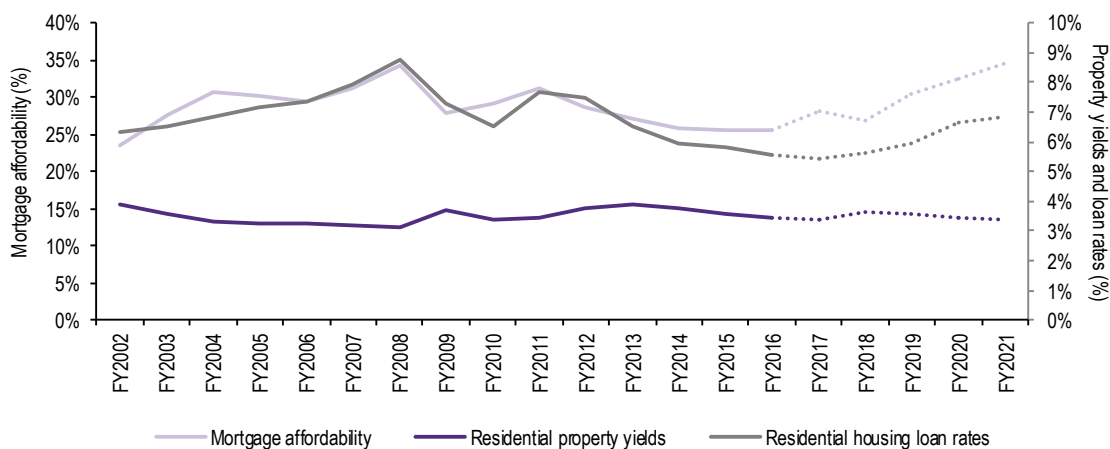
²¹ Australian Bureau of Statistics – 6416.0 Residential Property Price Indexes: Eight Capital Cities, Mar 2016

3.2.3 Residential property yield

Increases in residential property yields²² tends to flag an increased demand for rental stock, which in turn encourages property investment. Residential property yields in Sydney have fallen to record lows over the past year, posing risks for property investors and residential mortgage-backed securities²³. The Australian residential property yield is forecast to decrease 0.14% during 2015-16 to 3.46%, and continually decline at an average annual growth rate of 0.01% over the next 5 years²⁴.

The projected trends of the aforementioned demand drivers are set out in the graph below.

Mortgage affordability, residential housing loan rates and property yields



Source: IBISWorld Industry Risk Rating Report

3.2.4 Population Growth

Australian population growth has a direct correlation to the long-term demand for residential properties in Australia.

As shown in the graph below, the overall population of Sydney is expected to grow which will positively impact the industry. Part of the population growth will be attributed to increased migration intake. In addition, the influx of foreign students living in Greater Sydney will also positively impact the industry as these students tend to buy or rent multi-unit dwellings.

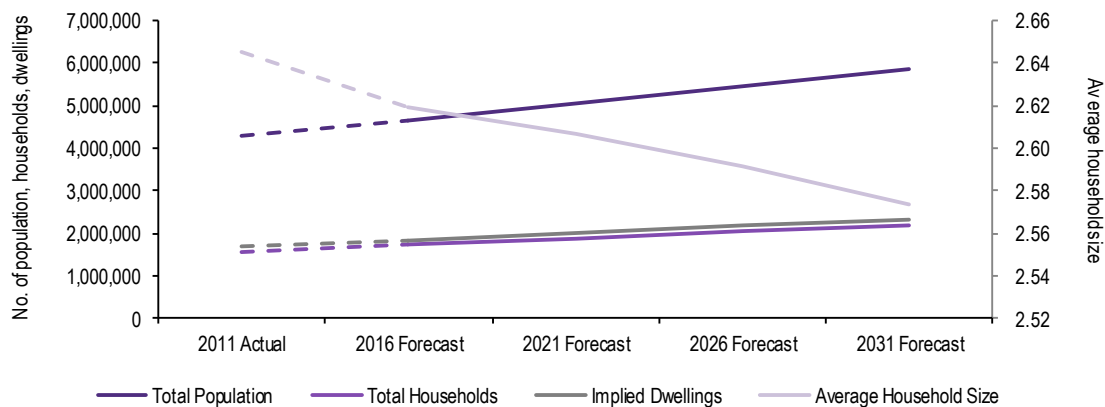
The overall number of households in Greater Sydney is forecast to increase over the next ten years, with the average household size decreasing. The age distribution of the population and the resultant household formation patterns influence long-term demand for residential construction. In this regard, it can be observed that there is an increasing trend towards smaller households with a higher net worth, increasingly preferring inner-city dwellings.

²² Calculated as gross annual rent divided by property value

²³ Moody's Investors Service, Inc.

²⁴ IBISWorld Industry Risk Rating Report *Multi-unit Apartment and Townhouse Construction in Australia*, February 2016

Population of Greater Sydney



Source: New South Wales State and Local Government Area Population, Household and Dwelling Projections: 2014 Final

3.2.5 Government intervention

Certain regulatory measures introduced by the government impact demand for property. On 1 July 2016, new rules for property transactions were implemented. All sellers (either Australian residents or foreign residents) of Australian properties worth \$2 million or above will be required to obtain a tax clearance certificate, or else will have to pay a withholding tax of 10% of the purchase price to the Australian Taxation Office (“ATO”). The tax is aimed at foreign resident sellers as Australian resident sellers will be able to obtain a tax clearance certificate.

Asian investor purchasers of Sydney apartments fell by 50% over the weeks following the announcement in March 2016.

Furthermore, effective 1 July 2016, Australian Prudential Regulation Authority (“APRA”) has mandated an increase in the capital adequacy requirements for banks that use an internal ratings based approach to credit risk²⁵ with residential mortgage exposures. APRA now requires that the average “risk weighting” for home loans ought to rise from around 16% to at least 25%. The new capital adequacy requirements may increase interest rates on home loans.

3.2.6 Financial institution intervention

Under the pressure of APRA, ASIC and the RBA, beginning in late 2015 the big four Australian banks and other large financial institutions announced that they will tighten lending criteria to purchasers of high-rise and medium-to-high density dwellings for up to 120 inner city postcodes. This is primarily due to the growing settlement risk associated with apartments in the property market as a result of the perceived oversupply and the reducing prices of high-density apartments. In fear of unsustainable price movements, and a housing bubble mainly in Sydney and Melbourne, these financial institutions have decreased lending amount as a proportion of the property’s value.

In addition, the major banks are also clamping down on lending to non-residents buying homes. In April 2016, Australia and New Zealand Banking Group, Commonwealth Bank of Australia and Westpac Banking Corporation announced new lending requirements that apply to non-residents

²⁵ The Australian banks affected by this are Australia and New Zealand Banking Group, Commonwealth Bank of Australia, Westpac Banking Corporation, National Australia Bank and Macquarie Bank

purchasing residential properties. For example, Westpac announced that it will no longer lend to offshore customers who are not citizens or residents of Australia with an eligible visa.

3.2.7 General economic conditions

General economic conditions influence consumer confidence, which affect decisions such as purchasing a home. According to the Westpac Consumer Sentiment Index (June 2016), consumer confidence has increased from 99.1 in July 2016 to 101.0 in August 2016.

The increase in the index was mainly driven by the decision of the RBA to cut the overnight cash rate from 1.75% to 1.5%. However, we note that the big four major banks only reduced variable interest rates by between 0.10% to 0.14%.

Westpac economists have indicated that the 'time to buy a dwelling' index increased by 10.1%.

3.3 Industry outlook

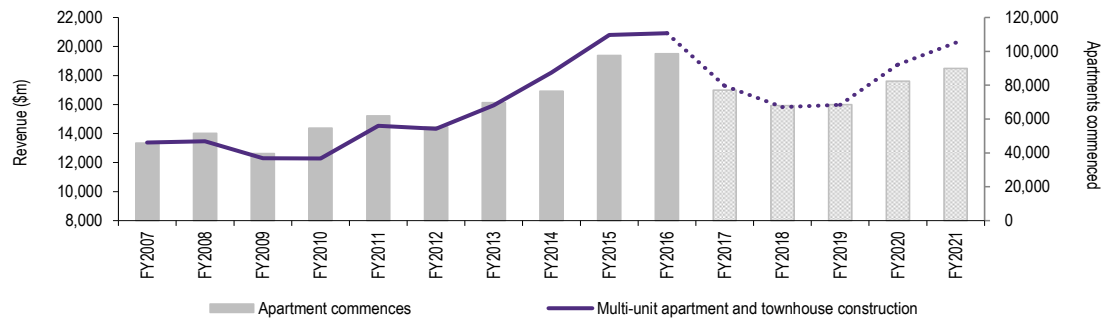
In the short to medium term, growth in the Sydney residential property market is expected to slow due to the growing supply in the apartments sector. In addition, increasing settlement and reselling risks, drop-out of foreign buyers, and slower commencements of new dwellings, will contribute to a slowdown in the multi-unit apartment and townhouse market.

The Housing Industry Association ("HIA") noted that 1 out of 5 recently approved apartments will not commence construction over the next two years, and that the rate new dwellings have commenced has fallen short of the number of dwellings being approved. Only 60% of the apartments that do start have reached completion, creating a complex timing issue for developers to try to judge future supply. The HIA forecasted that the number of units to be built in FY17 will decrease by 19% from FY16, while the number of units to be built in FY18 will be down 21%. The strongest returns are expected on large-scale developments of up-market apartment complexes in Sydney and Brisbane, particularly riverside, harbour-side and themed developments.

It was also noted by Moody's, the risk rating agency, that the delinquencies on Australian home mortgages will rise slightly over 2016 from current low levels, owing to below-trend economic growth and slower pace of house price growth in some cities, arrears will be highest in those states whose economies are most dependent on the resources sector.

Set out below is the projected trends of revenue growth for the multi-unit apartment and townhouse construction industry in Australia.

Revenue growth by industry segment



Source: IBISWorld industry reports

As can be seen in the graph, revenue is forecast to decline at an annualised rate of 13% for the next two years to FY18 before increasing at an annualised rate of 9% for the subsequent three years to FY21.

Over the longer term, the continued steady growth in the number of households and growth in resident population is expected to underpin housing demand in Australia.

4 Profile of PAYCE

PAYCE is an ASX listed company focussed on property investment and property development of mixed-use, medium density projects primarily in the Sydney market.

4.1 Company history and developments

PAYCE was founded in 1978 and over the last five years has delivered and sold many residential apartments across Sydney. Recent landmark developments include:

- The Waterfront was a former industrial waterfront site on 19 hectares (“ha”) of land that was developed into 18 buildings with 1,567 apartments housing more than 5,000 residents. Amenities developed include a marketplace (inclusive of cafes, restaurants, retail shops and medical centre) and a health club.
- East Village is a mixed-use residential and retail precinct combining 206 modern apartments and a market place inclusive of a major supermarket, health club, large automobile service centre and 50 specialty shops. Whilst PAYCE has sold all the apartments, it retains a joint venture interest in the retail and commercial centre, and earns investment income.
- APEX comprises 153 apartments with a rooftop cinema.
- Platinum comprises 322 luxury apartments, private health club and roof top garden.

PAYCE is expected to deliver more than 7,500 apartments over the next five years in Sydney. Some of these developments are in conjunction with a third party joint venture partner, and a partnering arrangement with the government to provide social housing and/or community facilities. PAYCE does not undertake construction activities, instead the company enters into agreements with builders to undertake the construction. PAYCE’s key developments are summarised in the following table.

PAYCE Project Overview

Project	Stage	Current zoning	Size	Interest	Completion date	Description
Lakeview and Trinity Washington Park, NSW	Stages 1 and 2 completed, stages 3 and 4 under construction	Residential	313 private residential apartments, 1,720 sqm library, café and senior citizens centre	100% PAYCE	Stage 3 - March 2018, Stage 4 - March 2018	Lakeview is the third stage of the Washington Park project, located in Riverwood, NSW and includes the construction of 218 apartments. Construction commenced in March 2016 and pre-sales are 95% complete. Trinity is the fourth and final stage of the Washington Park project and includes 95 apartments, a 1,720 sqm library, café and a senior citizens centre. Construction commenced in March 2016.
South Village Kirrawee, NSW	Development approval obtained and early works commenced	Mixed use Residential & Retail	749 residential apartments, 14,190 sqm retail/commercial space and 1,500 sqm of community facilities	Development and Construction Procurement Agreement with Deicorp Pty Ltd	Late 2019	The Kirrawee project consists of 749 medium density dwellings with a maximum height of 15 storeys. The project also includes up to 14,190sqm of retail and commercial, a large 1 hectare public park and up to 1,500sqm of community facilities.
Crow's Nest, NSW	Development approval obtained	Mixed use Residential & Retail	Up to 70 residential apartments and 4,300 sqm retail/commercial space	100% PAYCE	Late 2019	The Crow's Nest project consists of up to 70 medium density dwellings with a maximum height of 6 storeys and 2 levels of commercial/retail. The project is located close to St Leonards railway station, a 15 minute commute to Sydney CBD.
Harts Landing Penrith, NSW	Development approval obtained and early works commenced	Residential	268 apartments	50:50 JV with Evolve Housing	March 2018	Harts Landing is a 268 apartment development that will include the construction of private and affordable housing dwellings, as well as communal gardens and bbq areas. Early construction works and pre-sales have commenced.
Royal Shores Ermington, NSW	Under construction	Residential	632 residential apartments	50:50 JV with Sekisui House	November 2016	Royal Shores consists of the construction of 632 residential apartments across nine buildings ranging between 5 and 8 storeys. Royal Shores is located on the Parramatta River waterfront. Pre-sales of units are 100% complete and are due to settle progressively during 2016.
Jewel/SOPA Ferry Wharf Wentworth Point, NSW	Under construction	Mixed use Residential & Retail	249 residential apartments, 5,000 sqm retail and a child care centre	50:50 JV with Sekisui House	Late 2017	Jewel consists of 249 luxury apartments across three 9 storey buildings, adjacent to the existing Sydney Olympic Park Ferry Terminal. The development has a waterfront position surrounded by parklands with the existing ferry wharf enabling a 40 minute commute to the CBD. Pre-sales of units are near 100% complete.
Manchester Road Auburn, NSW	Currently leased	Industrial	14 hectares	60% owned by PAYCE in JV	NA	The Manchester Road project is an industrial site, located in Auburn, adjacent to Duck River. Approximately half of the site is subject to a ground lease to BlueScope Distribution Pty Ltd.
Melrose Park, NSW	Currently leased	Industrial	29.2 hectares	50:50 JV with Sekisui House	NA	Melrose Park consists of four adjacent mixed use (industrial and commercial) sites previously owned by, amongst others, Reckitt Benckiser, Big Sister and Pfizer. The first of the sites was acquired in 2014 and remain tenanted as industrial warehouses and offices.

Note: "NA" means not available or unknown

As illustrated in the table above, a number of PAYCE's key development projects are with joint venture partner Sekisui House Australia Holdings Pty Limited ("Sekisui House"), a Japanese-home builder.

PAYCE typically develops projects in stages and engages in the pre-selling of dwellings off-the-plan to mitigate risks. It also adopts a prudent and cautious approach to assessing potential new developments. Where possible, it leases out pre-existing premises during the development planning stage as is the case of the income producing industrial sites located within the Manchester Road, Auburn and Melrose Park projects.

Melrose Park Project

Melrose Park is the largest development opportunity for PAYCE and the largest potential future price catalyst for the Company.

Melrose Park is located along the northern banks of the Parramatta River, six kilometres east of Parramatta. The Melrose Park landholdings now total circa 30 hectares between Hope Street in the south and Victoria Road to the north. PAYCE and its joint venture partner, Sekisui House, spent in total circa \$420 million (before transaction costs) to purchase this land which is currently zoned for light industrial land uses²⁶.

The City of Parramatta Council recently identified Melrose Park in its draft adopted Parramatta Employment Lands Strategy 2015 document as an employment lands precinct undergoing significant economic change and “suitable for large scale urban renewal”. The strategy document recommended a structure plan to be prepared to guide the future planning of the precinct.

The plans for the 30 hectare site is to create a mixed use development featuring housing (greater than 5,000 apartments), commercial offices, retail space, open spaces and community facilities.

PAYCE lodged its proposal with Parramatta City Council in February 2016, which is currently still under assessment by Council.

²⁶ With the exception of 4.5 hectares recently acquired which are mixed-use zoned.

4.2 Financial information

4.2.1 Statement of financial performance

The audited consolidated statements of financial performance of PAYCE for the years ending 30 June 2015 (“FY15”) and 30 June 2016 (“FY16”) are set out in the table below.

Income statement (\$'000s)		
	FY15	FY16
Continuing operations		
Revenue	403,168	378,406
Cost of sales	(302,481)	(274,971)
Gross profit	100,687	103,435
Other income	117	2,667
Gain on fair value of investment property	58,594	72,030
Administration expenses	(15,469)	(44,584)
Property expenses	(4,796)	(5,135)
Marketing expenses	(12,601)	(13,787)
Share of (losses)/profits of equity accounted investments	21,823	532
Profit on sale of investment	-	31,586
Impairment loss on financial asset	(1,000)	(1,000)
Profit before tax and net financing costs	147,355	145,744
Finance income	2,973	2,026
Finance costs	(12,486)	(21,988)
Loss on fair value of derivative financial instruments	(4,498)	(1,992)
Net financing costs	(14,011)	(21,954)
Profit before income tax	133,344	123,790
Income tax expense	(38,368)	(37,310)
Profit for the year	94,976	86,480

Source: PAYCE FY16 Annual Report and FY15 Annual Report

We note the following key events which occurred in FY16:

- East Village, Victoria Park, NSW – in October 2015, PAYCE announced that it had entered into an agreement to sell a joint venture interest in this project to Mirvac Group for \$154.7 million. Completion occurred in July 2016.
- Washington Park, Riverwood North, NSW – PAYCE completed and settled 192 units at one of the buildings. Construction has commenced on stages 3 and 4 which, together with the previously completed stages, will produce over 600 residential apartments, and community amenities.
- PAYCE and Sekisui House announced the further acquisition of 4.5 hectares mixed use zone development at Melrose Park adjoining to other land-holdings for a consideration of \$160 million.



- Wentworth Point Ferry Terminal, NSW – following the receipt of development approval, PAYCE has commenced construction of 249 residential dwellings and ground floor retail. Completion is expected in late 2017.
- West End, Brisbane, QLD – in May 2016, PAYCE announced the sale of its 50% interest to its joint venture partner (Sekisui House) for a consideration of \$61 million.
- Bay Park, Wentworth Point, NSW – in February 2016, PAYCE and its joint venture partner completed the sale of this development site for \$98 million (PAYCE has a 50% interest).

In relation to the financial performance outlined previously, we also note the following:

- Revenue slightly decreased between FY15 and FY16 due to timing difference in the completion of development projects.
- Revenue includes rental income generated by the Investment Property Division which provides rental income to the Company upon completion of commercial/retail developments.
- The increase in administrative expenses was driven by a larger workforce, increased use of consultants, in particular in relation to the development of Melrose Park.

4.2.2 Statement of financial position

The consolidated statements of financial position of PAYCE as at 30 June 2016 and 30 June 2015 are set out in the table below:

Balance sheet (\$'000s)	FY15	FY16
Current assets		
Cash and cash equivalents	52,469	28,672
Trade and other receivables	10,851	105,286
Properties held for development and resale	85,389	93,326
Investments accounted for using the equity method	85	14
Assets held for sale	-	311,926
Other assets	2,728	8,970
Total current assets	151,522	548,194
Non-current assets		
Trade and other receivables	27,943	34,260
Properties held for development and resale	181,184	354,647
Investments accounted for using the equity method	2,013	2,576
Property, plant and equipment	7,477	15,951
Investment property	235,000	-
Financial assets	1,022	167
Other assets	11,783	14,185
Total non-current assets	466,422	421,786
Total assets	617,944	969,980
Current liabilities		
Trade and other payables	53,895	213,082
Financial liabilities	62,075	174,076
Provisions	1,155	1,319
Liabilities held for sale	-	2,140
Total current liabilities	117,125	390,617
Non-current liabilities		
Trade and other payables	6,934	-
Financial liabilities	263,290	227,440
Derivative financial liabilities	4,498	6,490
Provisions	46	58
Deferred tax liability	32,253	69,563
Total non-current liabilities	307,021	303,551
Total liabilities	424,146	694,168
Net assets	193,798	275,812
Equity		
Issued Capital	103,916	103,916
Reserves	2,042	2,038
Retained earnings	84,535	164,337
Total equity attributable to equity holders of the Company	190,493	270,291
Non-controlling interest	3,305	5,521
Total equity	193,798	275,812

Source: PAYCE FY16 Annual Report

In relation to the financial performance outlined previously, we note the following:

- Receivables and payables increased materially due to the accounting treatment of the 4.5 hectare acquisition in Melrose Park for \$160 million announced in February 2016 and completed in July 2016. Specifically, the payables included the total consideration payable on settlement (including transaction costs) while the receivables included the 50% of the total consideration to be recovered from the joint venture partner.
- Properties held for development increased mainly as a result of the purchase relating to the Melrose Park project.
- Assets held for sale refers to the sale of a joint venture interest in the East Village to Mirvac Group which completed in July 2016.
- In December 2013 the Company announced the completion of a \$50 million senior secured note issue ("Corporate Notes") with a 5 year term, maturing in December 2018, and paying a fixed coupon at 9.5% per annum. The Corporate Notes were redeemed early in March 2016.

4.3 Capital Structure

As at the date of this report, PAYCE has the following securities on issue:

- 19,839,827 PAYCE Shares; and
- 9,905,398 Preference Shares.

4.3.1 PAYCE Shares

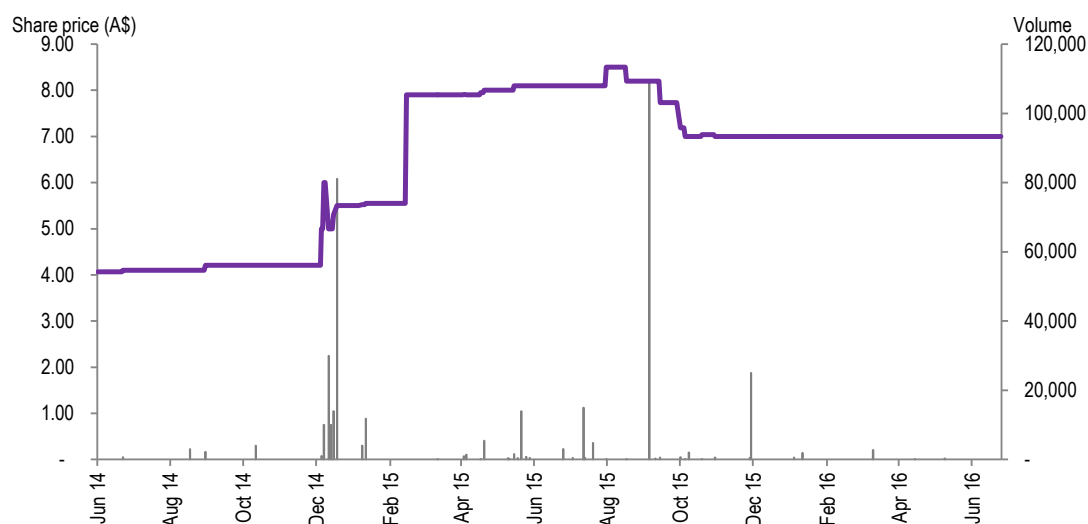
The top 10 shareholders of PAYCE as at 30 June 2016 are set out below:

Top 10 ordinary shareholders as at 30 June 2016			
Rank	Name	No. of ordinary shares held	% capital held
1	Lanox Pty Ltd	8,806,799	44.39%
2	Hurlcla Pty Ltd	3,580,000	18.04%
3	KMSJ Pty Ltd	1,908,523	9.62%
4	Ruz Pty Ltd	1,098,661	5.54%
5	Coetibus Investments Pty Ltd	750,000	3.78%
6	Matzel Pty Ltd	750,000	3.78%
7	Netzachem Pty Ltd	750,000	3.78%
8	Tzferes Pty Ltd	750,000	3.78%
9	Mr Frederick Bruce Wareham & Ms Alisa Margaret Wareham	617,935	3.11%
10	Appreciation Holdings Pty Ltd	141,497	0.71%
Top 10 shareholders total		19,153,415	96.54%
Remaining shareholders		686,412	3.46%
Total shares outstanding		19,839,827	100.00%

Source: ASX announcements and PAYCE FY15 Annual Report

We note that Mr Boyd and his associates holds 49.93% of the Ordinary Shares and Mr Garry James Boyd²⁷ and his associates hold approximately 28% of the Ordinary Shares.

The daily movements in PAYCE's Shares and volumes traded for the period from 1 June 2014 to 27 June 2016 (last trading day before the announcement of the SID) is set out below:



Source: S&P Capital IQ and ASX

During the period illustrated in the graph above, the trading price of PAYCE Shares ranged between \$4.07 in June 2014 and \$8.05 in August 2015, however we note that the liquidity in the trading prices is extremely limited. Accordingly, in our valuation assessment of PAYCE, we have not relied on trading prices. The following table summarises key events that may have had a bearing on the share price history:

	Date	Comments
1	09/12/2014	PAYCE announced an equal access off-market buyback of up to 20,938,429 Ordinary Shares (representing 70.4%) with consideration payable in cash instalments as well as by way of issuance of Preference Shares. The meeting to approve the buyback was cancelled in January 2015. A revised buyback was announced in April 2015.
2	02/04/15	PAYCE announced a revised equal access off-market buyback of up to 9,915,075 Ordinary Shares (representing 33%) at a price of \$9.80 per share, with consideration payable in cash instalments as well as by way of issuance of Preference Shares.
3	04/05/2015	Shareholders approved the equal access off-market buy-back.
4	05/06/2015	PAYCE announced that it had executed a put and call option to divest a development site at Wentworth Point, Sydney for \$100 million, receiving a non-refundable call option fee. The call option may be exercised at any time up to 11 December 2015. The company had an effective 50% interest in the property, which formed part of a joint operation with Sekisui House.
5	07/08/2015	PAYCE exchanged contracts to acquire an 8.7 hectare industrial site in Wharf Road, Melrose Park in north western suburbs of Sydney for consideration of \$144.5 million with a lease-back of the whole site for up to 5 years.
6	21/08/2015	The company released the financial accounts for the year ended 30 June 2015.
7	03/09/2015	PAYCE declared and paid in cash the quarterly unlisted preference share dividend of \$0.1125 per preference share.

²⁷ Mr Boyd's brother.



	Date	Comments
8	02/10/2015	PAYCE announced the completion of the \$144.5 million acquisition of the industrial site in Wharf Road, Melrose Park.
9	29/10/2015	Mirvac Group and PAYCE announced that they have entered into a joint venture for Mirvac to purchase an interest in East Village, Zetland for a total consideration of \$154.7 million.
10	24/11/2015	PAYCE advised that it had bought back and cancelled 15 million of the Corporate Notes issued on 3 December 2013, leaving a remaining 35 million notes on issue.
11	03/12/2015	PAYCE declared and paid in cash the quarterly unlisted preference share dividend of \$0.1125 per preference share.
12	17/12/2015	PAYCE announced that it had bought back and will cancel an additional 6.8 million of the Corporate Notes, leaving a remaining 28.2 million notes on issue.
13	05/02/2016	PAYCE announced that it had bought back and will cancel an additional 15.6 million of the Corporate Notes, leaving a remaining 12.6 million notes on issue.
14	10/02/2016	PAYCE announced the completion of the sale of a development site at Wentworth Point, Sydney for \$98 million. The company had an effective 50% interest in the property, which formed part of a joint operation with Sekisui House.
15	16/02/2016	PAYCE announced agreements with a subsidiary special purpose vehicle to acquire a 4.5 hectare mixed-use zoned development site in Melrose Park for a consideration of \$160 million. The site adjoins other land holdings acquired by PAYCE in joint venture with Sekisui House, and the Company has already paid a 10% deposit with completion expected to occur in the second half of 2016.
16	19/02/2016	PAYCE announced that it had bought back and will cancel an additional 570,000 of the Corporate Notes, leaving a remaining 12.03 million notes on issue.
17	03/03/2016	PAYCE declared and paid in cash the quarterly unlisted preference share dividend of \$0.1125 per preference share.
18	07/03/2016	PAYCE issued a proposal to redeem all outstanding Corporate Notes on the payment date of 31 March 2016 at a redemption price of 108.5% of the outstanding principal amount of each note to be redeemed, which redemption price includes all accrued (but unpaid) interest to (but not including) 31 March 2016.
19	22/03/2016	It was resolved that an early redemption of all remaining outstanding Corporate Notes was approved by eligible noteholders.
20	31/03/2016	PAYCE announced that they had redeemed all remaining outstanding Corporate Notes.
21	25/05/2016	PAYCE announced the completion of the sale of its 50% interest in the West End residential joint venture to Sekisui House. The total consideration of this transaction was \$61 million.
22	01/07/2016	Completion of the sale of a joint venture interest in East Village to Mirvac Group.
23	14/07/2016	Completion of acquisition of 4.5 hectare mixed use zoned development at Melrose park.

Source: ASX Announcements

Set out below we have outlined the historical liquidity in PAYCE Shares.

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares
Feb 2015	0.00	NA	NA	0.00%
Mar 2015	0.13	7.90	1.03	0.00%
Apr 2015	7.78	7.97	61.98	0.03%
May 2015	17.39	8.10	140.80	0.06%
Jun 2015	3.45	8.10	27.96	0.02%
Jul 2015	20.77	8.10	168.24	0.10%
Aug 2015	0.29	8.38	2.43	0.00%
Sep 2015	110.54	8.20	906.15	0.56%
Oct 2015	3.00	7.05	21.14	0.02%
Nov 2015	0.59	7.01	4.14	0.00%
Dec 2015	25.45	7.00	178.15	0.13%
Jan 2016	2.50	7.03	17.58	0.01%
Feb 2016	0.00	NA	NA	0.00%
Mar 2016	2.72	7.00	19.04	0.01%
Apr 2016	0.10	7.00	0.70	0.00%
May 2016	0.30	7.00	2.10	0.00%
Jun 2016	0.00	NA	NA	0.00%
Jul 2016	0.40	8.00	3.20	0.00%
Min				0.00%
Max				0.56%
Average				0.05%
Median				0.01%

Source: S&P Capital IQ and GTCF calculations



4.3.2 PAYCE Preference Shares

On 2 June 2015, PAYCE issued 9,905,398 Preference Shares at \$7.50 as part of an equal access off-market buy-back of Ordinary Shares. The following table summarises the key terms of the Preference Shares.

Key terms of Preference Shares	
Issue price per preference share	\$7.50
Dividend rate	Dividends of 6% per annum to be paid quarterly, subject to such dividends being declared at the discretion of PAYCE. On each yearly anniversary of the issue of the Preference Shares, the dividend rate will increase by an additional 1% per annum and will be finally capped at 12%.
Dividend payment	Dividend may be paid in - (i) cash; and/or (ii) the issue of further Preference Shares with a face value of \$7.50 each, representing an amount equivalent to the Dividend Entitlement (with any fractional amount remaining paid in cash).
Voting rights	No entitlement to vote at any general meeting of PAYCE other than in limited circumstances detailed in the full terms of the Preference Shares.
Option to Repurchase	Each Preference Share holder grants to PAYCE an option to repurchase, on any Dividend Payment Date, some or all of the Preference Shares they may hold, for an amount equal to: (i) the Face Value of each Preference Share; plus (ii) the unpaid amount of any scheduled dividends which have not been paid on the Preference Shares during the period prior to the date. At least 30 days (but no more than 3 months) before the relevant Dividend Payment Date, PAYCE may give notice to one or more Preference Shareholders stating that it will exercise its option to repurchase a specified number of Preference Shares from that Preference Share Holder.
Restriction on rights and ranking in a winding-up	Preference Shares are unsecured and not guaranteed. In the event of a winding-up of PAYCE, Preference Shareholders will have a preference in terms of dividends and the return of any capital ahead of Ordinary Shares, but will have no entitlement to share in any surplus in the event of a winding-up.

5 Valuation methodology

5.1 Introduction

Neither the Corporations Act nor the Corporations Act defines the term “in the best interest of”. However, RG 111 sets out the principles to be considered in assessing whether a transaction is in the best interest of shareholders. In order to assess whether the Proposed Schemes are in the best interests of the Schemes Shareholders, we have applied the principles set out in RG 111 and tested the fairness and reasonableness of the Proposed Schemes.

Pursuant to RG 111, a proposal is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company i.e. on a control basis.

Grant Thornton Corporate Finance has assessed the value of PAYCE using the concept of fair market value. Fair market value is commonly 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.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers, and prospectuses. These include:

- Discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- Amount available for distribution to security holders on an orderly realisation of assets;
- Quoted price for listed securities, when there is a liquid and active market; and
- 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.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or

asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Methodology selected to value Ordinary Scheme Shares

In valuing PAYCE we have adopted a sum-of-the-parts approach, establishing the fair market value of various components separately using an appropriate valuation. Specifically we have aggregated:

- The fair market value of PAYCE's properties held for development and resale ("PAYCE Projects").
- The market value of other assets net of liabilities.
- An allowance for corporate overhead costs and realisation expenses.
- The fair market value of Preference Shares.

We have adopted an orderly realisation approach which assumes that the PAYCE Projects would be progressively realised (i.e. completed or disposed of) on an orderly basis over the next two to three years. In valuing PAYCE Projects, depending on the stage of development of each project we have adopted one or more of the following approaches:

- Income approach using a DCF methodology – The DCF methodology has been used for PAYCE Projects where construction is well advanced with settlement expected to occur within 12 months. For these projects, construction funding has either been secured or is at an advanced stage of securement and PAYCE has achieved 75% to 100% pre-sales. This methodology is considered appropriate given the finite nature of the cash flows and the certainty that attaches to their realisation.
- Market approach – The market approach references to recent market transactions relevant to the PAYCE Projects. Specifically, for those projects that were recently acquired or in the process of being sold, we have adopted their sale/acquisition price following confirmation from Management that there has not been a significant change in the nature or the use of the project and after confirming that the sale/acquisition prices were established on arm's length.
- Cost approach – The cost approach has been used for PAYCE Projects which are going through the development process but construction is yet to commence. The cost approach has also been adopted for PAYCE Projects for which PAYCE has entered into an option agreement to acquire the land at a pre-determined price on a pre-determined date.

The market value of other assets and liabilities was considered to be commensurate of their book values as at 30 June 2016. We have made adjustments to the book value of the deferred tax liability in order to reflect the overvalued fair market value of the PAYCE Projects reflected in our valuation assessment.

The allowance for corporate overheads assumes the level of overhead required for an orderly realisation of PAYCE Projects.

In order to cross-check our valuation under the sum-of-the-parts approach, we have compared the implied Price/Book Value (“PBV”) multiple of our assessed value range to market evidence of broadly comparable companies. Given the extremely limited liquidity of PAYCE Shares as discussed in Section 4.3, we have not relied on the trading price on the ASX as a valuation methodology.

5.4 Methodology selected to value Preference Shares

In valuing PAYCE Preference Shares we have given consideration to their key terms which we have set out in Section 4.3.2. We have valued the Preference Shares considering their two components being:

- A dividend entitlement which we have assessed based on the net present value of future cash flows.
- An option to redeem the Preference Shares by PAYCE, which reduces the value of the Preference Share to the holder as it gives PAYCE the right to redeem and deprive the Preference Shareholder of the future dividend payments.

5.5 Methodology selected to value the Bellawest Notes and the PAYCE Notes

In valuing the Bellawest Notes and PAYCE Notes, we have benchmarked the terms and, in particular, the coupon to the return required for investments with a similar risk profile to test whether or not their face values are consistent with their fair market values.

6 Valuation assessment of PAYCE

The table below summarises our valuation assessment of the equity of PAYCE on a control basis based on the market value of net assets having regard to the audited balance sheet as at 30 June 2016:

Valuation Summary of PAYCE (A\$'000s)	Section	Low	High
Fair market value of PAYCE Projects ⁽¹⁾	Section 6.1	250,158	308,957
Add/Less: Other assets and liabilities (excluding DTL)	Section 6.2	101,185	101,185
Less: Deferred tax liability	Section 6.3	(44,666)	(62,306)
Less: Realisation costs (post tax)	Section 6.4	(5,050)	(5,257)
Less: Corporate overhead costs (orderly realisation scenario)	Section 6.5	(13,000)	(8,500)
Less: Fair value of Preference Shares	Section 6.6	(74,290)	(74,290)
Less: Interest held by minority shareholders in PAYCE Projects	Section 4.2.1	(5,521)	(5,521)
Fair market value of PAYCE		208,816	254,268
Number of outstanding shares as at Valuation Date (000's)	Section 4.3.1	19,840	19,840
Fair market value per PAYCE share on a control basis (A\$)		10.53	12.82

Source: GT calculations

Note (1): PAYCE's interest in the equity value of the projects

Based on the above, we have assessed the fair market value per share of PAYCE between \$10.53 and \$12.82 on a control basis. Details of the above calculation are set out in the following sections.

6.1 Fair market value of PAYCE Projects

As part of our valuation assessment to determine the fair market value of PAYCE Projects, we have undertaken an in-depth review process of all the projects as of 30 June 2016. Our review process has involved the following:

- Site visits to a number of the key projects.
- Discussion with the Management on the development status of PAYCE Projects as well as the future course of action.
- Review of valuation reports prepared by independent real estate valuers. We note the independent valuation reports have been prepared for mortgage purposes for PAYCE's financiers in the last 3 to 24 months.
- Review of sale contracts for PAYCE Projects which have been recently sold or acquired by PAYCE.
- Review of capitalised development and construction costs that form part of the balance sheet as at 30 June 2016.

As set out in Section 5.3, based on the development stage of each PAYCE Project we have assessed its fair market value using one or more of the following valuation methods:



- DCF methodology: For PAYCE Projects which are expected to reach settlement within 12 months we have adopted the DCF method. Under this method we have considered the projected cash flows which comprise of sales revenue and related costs provided to us by Management. We have reviewed the projected cash flows for reasonableness by analysing:
 - Percentage of sales completed of the underlying development units along with the corresponding revenue recorded by PAYCE.
 - Review of the development margin²⁸ incorporated in the projections and a comparison with industry benchmarks.

Whilst we have not attempted to verify the integrity of such assumptions in relation to the financial forecasts, we have made adequate enquiries and tested the overall project profitability to satisfy ourselves that the cash flow forecasts have been prepared on a reasonable basis for the purposes of our valuation assessment.

The projected cash flows available to the equity holders have been discounted using an appropriate discount rate which represents the cost of equity of PAYCE. Appendix B sets out the calculation of the cost of equity.

- Market approach i.e. price of recent market transactions. This method has been used for:
 - PAYCE Projects which have been acquired in the last two years; or
 - PAYCE Projects for which PAYCE has recently entered into a contract of sale for acquisition or disposal.

Under this method we have also reviewed the transaction documents for completeness.

We have verified that the transactions have occurred with unrelated third-parties following proper marketing processes (i.e. marketing campaigns via third party real estate agents involving typical time frames) and hence are representative of arm's length values.

- Cost approach: This method has been used for PAYCE Projects which are at their early stage of development and for which all required regulatory approvals for development have not been obtained.

The historical cost method comprises of costs incurred towards, initial acquisition, basic development works and construction as well as costs related to obtaining regulatory approvals. These costs are reflected in PAYCE's balance sheet as at 30 June 2016.

In respect of these projects we have also considered, where available, independent valuer's reports.

- Written-down/off: Based on our discussions with the Management certain PAYCE Projects for which the Company does not foresee any further development or which are under dispute with no foreseeable positive outcome, we have chosen to write-down or write-off.

²⁸ Development Margin is the measurement of the developers profit as a percentage of the total development costs. Development profit is calculated by deducting total development costs for the project (including interest expenses) from the project revenue. Typically, a 15% to 30% Development Margin is considered adequate for a project to be viable, although this would vary according to the level of financial and market risk.

Set out below is the valuation assessment of PAYCE's interest in the equity value (i.e. post project specific debt) of the existing projects.

Valuation Summary of PAYCE Projects ¹ (A\$'000s)	Section	Low	High
Lakeview & Trinity, Washington Park	Section 6.1.1	17,279	19,607
Royal Shores, Ermington	Section 6.1.2	58,682	58,682
Jewel/SOPA Ferry Wharf, Wentworth Point	Section 6.1.3	21,413	34,140
Harts Landing, Penrith	Section 6.1.4	10,884	11,487
East Village Retail and Commercial Centre	Section 6.1.5	53,510	53,510
Melrose Park	Section 6.1.6	11,374	54,059
South Village, Kirrawee	Section 6.1.7	29,140	29,140
Manchester Road, Auburn	Section 6.1.8	12,630	12,630
Various other projects	Section 6.1.9	35,245	35,701
Assessed Net Equity Value of PAYCE Projects		250,158	308,957

Source: GTCF calculations

Note (1): PAYCE's interest in the equity value of the projects

Owing to the commercially sensitive nature of some information in respect of the PAYCE Projects we have limited our disclosure to the key observations and considerations as set out in the paragraphs that follow.

6.1.1 Lakeview and Trinity, Washington Park

In our valuation assessment for this project we have considered the fair market value assessed by an independent valuer at the 'low end' of our valuation range and used the discounted cash flow ("DCF") approach at the 'high end'.

The independent valuation report was prepared by a reputable real estate valuer in January 2016 and it was prepared for mortgage purposes to secure construction funding. The valuer adopted the direct comparison and residual cash flow approach.

In our valuation assessment of the project based on DCF approach, we have considered the following:

- Both projects have achieved 95% pre sales and hence the cash flows are relatively certain as at 1 July 2016.
- Construction funding has been secured and construction will complete by March 2018.

We have been provided with the projected cash flows to equity holders for the projects, which we have reviewed for the purpose of our analysis. In the assessment of the net present value of the future cash flows, we have adopted a rounded cost of equity of 11% (refer to Appendix B for details). We note that the discount rate reflects the corporate risk of PAYCE rather than the specific risks of the individual project.

PAYCE owns 100% of these projects. We have assessed the equity value between \$17.3 million and \$19.6 million.

6.1.2 Royal Shores, Ermington

In our valuation assessment for Ermington we have considered the DCF approach given that:

- The project has achieved 100% pre-sales.
- Construction funding has been secured and construction is expected to complete by November 2016.
- A number of the units have already settled.

We have been provided with the projected cash flows to equity holders from 1 July 2016 to 30 November 2016 which we have reviewed for the purpose of the valuation.

Based on our assessed rounded cost of equity of 11% for PAYCE, we have assessed the net present value of future cash flows at \$58.68 million.

6.1.3 Jewel/SOPA Ferry Wharf

In our valuation assessment for this project, we have considered the fair market value assessed by an independent valuer at the 'low end' of our valuation range and used the DCF approach at the 'high end'.

The independent valuation report was prepared in August 2015. We note the report has been prepared for mortgage purposes for the project financiers in order to secure construction funding. The valuer has used the direct comparison approach and residual land value analysis based on a hypothetical development of the site. Key considerations and assumptions adopted by the valuer include:

- Direct comparison approach: sales evidence of comparable properties in close proximity, observations in respect of comparability between the properties and the specific characteristics of Jewel/SOPA Ferry Wharf, pre sales and current market conditions. Taking into account these considerations, the valuer assessed a range of \$195,000 - \$205,000 per equivalent unit site or \$2,150 - \$2,250 per m².
- Residual land value analysis: Development margin of 20%, development period of 31 months, presales of 87% and selling costs of 3%.

We have assessed PAYCE's 50% interest in the project at \$21.4 million.

In our valuation assessment of the project based on DCF approach, we have considered the following:

- Jewel/SOPA Ferry Wharf has achieved 98% pre-sales.
- Construction funding is secured with construction expected to be completed by June 2017.

We have been provided with the projected cash flows to equity holders for SOPA Ferry Wharf which we have reviewed for the purpose of the valuation.

Based on our assessed rounded cost of equity of 11% for PAYCE, we have assessed the net present value of future cash flows of PAYCE's 50% interest in these projects at \$34.1 million.

6.1.4 Harts Landing, Penrith

In our valuation assessment for Harts Landing we have taken into account the following:

- PAYCE's entitlement in this project are limited to 134 apartments.
- Evolve Housing (the JV partner) will remain the land owner throughout the project and will transfer title to PAYCE for the 134 apartments on completion.
- Construction funding has not been secured though basic construction has begun with completion expected in March 2018.
- Sales and Marketing has only just commenced.

In our valuation assessment, we have relied on Management's desktop valuation assessment. The selected value is not materially different from the book value as at 30 June 2016.

6.1.5 East Village Retail & Commercial Centre

On 1 July 2016, PAYCE completed the sale of a joint venture interest in East Village Retail & Commercial Centre to Mirvac Group for \$154.7 million. In our valuation assessment of PAYCE's residual interest, we have relied on the recently completed transaction with outstanding debt of circa \$95 million.

We understand from Management that control is effectively equal between PAYCE and Mirvac Group.

6.1.6 Melrose Park

In our valuation assessment of Melrose Park, we have mainly relied on the recent acquisition prices paid by PAYCE. This approach was considered appropriate given no major development progress have been made since the land acquisition. Successful development of this project will involve considerable time and cost, and will necessitate a rezoning of the land which requires both local council and state government approval.

Set out below is a summary of the various land acquisitions which today represent the Melrose Park Project:

- On 15 August 2014 PAYCE acquired a 14 hectare industrial site for a consideration of \$95 million. PAYCE completed the acquisition on 28 November 2014.
- On 2 September 2015 PAYCE acquired a 2 hectare industrial site for a consideration of \$23.5 million.
- On 7 August 2015 PAYCE acquired a 8.7 hectare industrial site for a consideration of \$144.5 million. PAYCE completed the acquisition on 2 October 2015.

- On 16 February 2016 PAYCE acquired a 4.5 hectare mixed-use zoned development site for a consideration of \$160.0 million. PAYCE completed the acquisition on 14 July 2016.

As outlined above, the total purchase price was \$423 million and PAYCE has a 50% joint interest in the project.

We have assessed a fair market value of PAYCE's 50% equity interest (i.e. net of project debt) in the Melrose Park Project between \$11.4 million to \$54.1 million having regard to the following:

- Low-end value range – we have considered the total purchase price paid by PAYCE and its Joint Venture partner excluding stamp duties, other transaction costs and costs incurred since the acquisition totalling \$423 million on a 100% basis. We note that the purchase price of two sites is higher than the independent valuations commissioned by PAYCE. This is driven by the fact that the independent valuations have valued the sites based on their current use (industrial land) rather than the potential rezoning. In addition, the total price paid by PAYCE may incorporate a premium for consolidating such large adjacent land-banks.
- High-end value range – we have taken into consideration the purchase price plus transaction costs (including stamp-duty) and the subsequent costs incurred by PAYCE and its Joint Venture partner to advance the development of the project, totalling circa \$510 million on a 100% basis. We note that as at the date of this report, it may be challenging for PAYCE to achieve a sale price in line with the high-end of our valuation in the absence of a highly competitive process. In addition, there may be a limited number of parties that may have the financial capability and development skillset to be able to purchase and develop the project.

6.1.7 South Village, Kirrawee

In our valuation assessment of South Village, Kirrawee we have assessed the fair market value to be consistent with the value derived by the independent valuer in February 2015. The valuer has adopted the direct comparison approach to estimate the value of PAYCE's retained commercial interest in the residential and retail component of South Village, Kirrawee. Whilst the valuation assessment is more than 12 months old, based on discussions with the Management of PAYCE, we understand that no major progress have been made in the development of this opportunity since the independent valuation.

Key considerations and assumptions adopted by the valuer include:

- Sales evidence of comparable properties in close proximity.
- Observations in respect of comparability between the properties and the specific characteristics of South Village, Kirrawee.
- Current market conditions for the Kirrawee and Sutherland Shire area.

Taking into account these considerations, the valuer assessed a range of \$115,000 per unit site for the residential units and \$1,000 per m2 for the commercial area.

6.1.8 Manchester Road, Auburn

The Manchester Road, Auburn project consists of zoned IN1 industrial property forming part of the Clyde Marshalling Yards and the subsequent acquisition of a property at 25 South Parade. The total purchase price was \$53.5 million for 100% of the project of which PAYCE owns a 60% interest. From discussions with the Management, we understand PAYCE has lodged a planning proposal with Auburn City Council to rezone the subject site from industrial to medium density residential.

In our valuation assessment of the project we have relied on the independent valuation performed in January 2015 which has been prepared for mortgage. The valuer adopted the direct comparison and net income capitalisation approach to estimate the value of the industrial property.

Whilst the independent valuation of this project was undertaken circa 18 months ago, we note that the NSW Government has recently appointed an administrator for the Auburn City Council. Accordingly, based on discussions with Management, we understand that the development of this project may be delayed or put on hold for a period of time. Accordingly, we are of the opinion that the independent valuation undertaken in January 2015 provides reasonable ground for the valuation assessment.

Key considerations and assumptions adopted by the valuer include:

- Direct comparison approach: sales evidence of comparable properties in close proximity, observations in respect of comparability between the properties and the specific characteristics of Manchester Road Auburn and current market conditions, the property attracting reasonable demand. Taking into account these considerations, the valuer assessed a range of \$325 per m² for lot 12 and \$350 per m² for lot 11.
- Net income capitalisation approach: Net annual market rent of approximately \$2 million and a capitalisation rate of 6.5%.

6.1.9 Various other projects

The balance of the other projects have mostly been valued at cost.

6.2 Other assets and liabilities

A summary of the adopted fair market value of the other assets and liabilities (other than the deferred tax liability) is summarised in the table below:

Summary of Other Assets & Liabilities (A\$'000s)	Balance sheet as at 30 Jun 2016	Items included in PAYCE Projects valuation	Adjusted balance sheet as at 30 Jun 2016	Grant Thornton adjustment	Grant Thornton adjusted value
Cash	28,672	-	28,672	92,950	121,622
Trade & other receivables (current and non-current)	139,546	(121,412)	18,134	(29)	18,105
Property plant & equipment	15,951	(3,840)	12,111	(1,251)	10,860
Financial assets	167	-	167	-	167
Other assets (current and non-current)	23,155	(20,193)	2,962	(1,364)	1,598
Trade & other payables	(213,083)	193,082	(20,001)	-	(20,001)
Short term provisions	(1,319)	-	(1,319)	-	(1,319)
Long term provisions	(58)	-	(58)	-	(58)
Financial liabilities (current and non-current)	(408,006)	402,506	(5,500)	-	(5,500)
Other liabilities held for sale	2,140	(2,140)	-	-	-
Contingencies	-	-	-	(24,289)	(24,289)
Total Other Assets & Liabilities	(412,835)	448,003	35,168	66,017	101,185

Source: Annual Report, Management and Grant Thornton calculations

- *Cash* – The cash balance as at 30 June 2016 has been adjusted for the net receipt of \$92.95 million from the sale of the joint venture interest in East Village which settled on 1 July 2016.
- *Trade and other receivables* – As set out in the table above, we have excluded from the calculation of trade and other receivables as at 30 June 2016 circa \$121.4 million. The majority of this amount is represented by the receivable from Sekisui House in relation to 50% of the total consideration (\$160 million before transaction costs) for a recent additional land acquisition (part of the Melrose Project) completed in July 2016.
- *Property plant equipment* – The adjusted balance sheet value has been considered net of liabilities of \$3.8 million attached to the property, plant and equipment. The write-off of \$1.3 million relates to project office set up in Riverwood and the head office fit out.
- *Other assets* – Other assets mainly consist of prepayments for feasibility studies in relation to development opportunities which cannot be allocated to specific PAYCE Projects. The balance of these pre-payments (circa \$20 million) which is specific to PAYCE Projects has been included in their valuation assessment and excluded from the calculations above. Based on our discussion with Management we understand some of the opportunities will not be pursued and accordingly the costs have been written off.
- *Trade & other payables* – Trade payables consist of accruals, creditors, retentions and other payables. The main amount excluded from the calculation in the table above is the payable in relation to 100% of the consideration (\$160 million before transaction costs) for a recent additional land acquisition (part of the Melrose Project) completed in July 2016²⁹.
- *Short and long-term provisions* – they relate to long service leave, annual leave and make good provision.

²⁹ We note that PAYCE only owns 50% of the Melrose Project and the amount payable by the joint venture partner is included in the receivables.



- *Financial liabilities* – The amount excluded from the calculation above mainly refers to the PAYCE Projects' debts which is included in the calculation of PAYCE's equity interests in the projects.
- *Contingency* – Contingency consists of provisions for potential liabilities in relation to prior projects' construction works, an on-going litigation case against PAYCE for rectification works where the construction company went into liquidation, staff bonuses and minority interest adjustment in relation to non-wholly owned assets.

6.3 Deferred tax liability

Under the orderly realisation approach, we have incorporated into our valuation assessment the taxation liability which would have been crystallised if PAYCE had sold its investments for Grant Thornton Corporate Finance assessed fair values at the valuation date. The updated deferred tax liability has been estimated between \$44.7 million and \$62.3 million.

6.4 Realisation costs

As discussed in section 5, in our assessment of the fair market value of PAYCE Projects we have assumed the ordinary realisation of the projects over a period of two to three years. As part of the realisation process PAYCE will incur selling costs primarily towards marketing and brokerage expenses. Based on discussion with the Management of PAYCE, we have considered it appropriate to apply selling costs of 1% of the adopted fair market value for Melrose Park Project and East Village Project, and 2% for the others. The selling costs are based on the prevalent market rates charged by real estate firms for marketing and brokerage services.

We note that we have not applied the realisation costs to the PAYCE Projects valued based on the DCF approach given that they are already incorporated in the net present value of the future cash flows.

6.5 Corporate costs

PAYCE incurs on-going corporate costs associated with maintaining offices, salaries of the executive management team, finance and other corporate administration.

These corporate costs are excluded from the valuation of the PAYCE Projects and they will continue to be incurred by PAYCE during the realisation period.

In our valuation assessment of the normalised corporate costs to be incurred by PAYCE under a realisation scenario, we have considered the following:

- We have excluded the costs associated with maintaining a listing status such as annual listing fees, registry fees and non-Executive Directors' fees, which would not be incurred under circumstances of an orderly realisation of PAYCE Projects and a valuation on a 100% basis.
- Based on discussions with Management, we understand that a large component of the current annual corporate costs is incurred to grow the business, source new projects and develop existing ones. However, in our assessment, we have only considered those corporate costs required to ensure the orderly realisation of the existing assets over a period of 2-3 years.

We have assessed the normalised corporate costs between \$4.5 million and \$7.0 million per annum on a post-tax basis. Accordingly, we have estimated the net present value at the valuation date between \$8.5 million³⁰ and \$13.0 million³¹.

6.6 PAYCE Preference Shares

In valuing the Preference Shares we have given consideration to their key terms which we have set out in Section 4.3.2. We have valued the Preference Shares considering their two components:

- Dividend entitlement – Preference Shareholders are entitled to a quarterly dividend of 6% per annum (with subsequent increases of 1% per annum up to 12%), subject to the discretion of PAYCE.
- Option to repurchase – PAYCE has an option to redeem the Preference Shares on any dividend date (“Redeem Option”). We note that the Redeem Option reduces the value of the PAYCE Preference Share as it gives PAYCE the opportunity to redeem the Preference Shares every quarter and deprive the Preference Shareholder of the higher returns on the Preference Shares that they would have otherwise benefited in the outer years if the Preference Shares were held to perpetuity³².

6.6.1 Dividend entitlement

The dividends entitlement of the Preference Shareholders as at 30 June 2016 is set out below:

Dividend Date	Dividend Rate	Quarterly Dividend per Preference Share (A\$)
FY17	7%	0.1313
FY18	8%	0.1500
FY19	9%	0.1688
FY20	10%	0.1875
FY21	11%	0.2063
FY22	12%	0.2250
FY23-perpetuity	12%	0.2250

Source: Offer Document

In our valuation of the Preference Shares, we have net present valued the future dividend entitlements at our adopted discount rate for PAYCE. As the Preference Shares do not have a maturity date we have calculated a terminal value by applying the perpetuity formula to the FY22 dividend entitlements³³.

In assessing the discount rate to adopt in the calculation of the net present value of the future dividend entitlements, we have considered the following risk factors pertaining to the Preference Shares:

- Whilst the Preference Shares are transferrable, they are illiquid as there is not an active market and accordingly, the holders who wish to sell their Preference Shares individually (as opposed

³⁰ Assuming two year realisation period based on annual corporate costs of \$4.5 million per annum.

³¹ Assuming two year realisation period based on annual corporate costs of \$7.0 million per annum.

³² We note that the return on the Preference Shares increases by 1% every year capped at 12%.

³³ A perpetuity is an infinite series of periodic payments of equal face value. The perpetuity formula is the annual perpetuity payment divided by the discount rate which reflects the rate of return required by the holder.

to collectively with other Preference Shareholders) may be unable to do at a price in line with fair market value. We also note that there is no maturity on the Preference Shares which further reduces the liquidity if the holders are seeking an exit.

- PAYCE has the right to redeem the Preference Shares at any dividend payment date for \$7.50 per Preference Share payable in cash. Accordingly, if the return on the Preference Shares is higher than returns for similar alternative investments (i.e. the market value is higher than the face value), PAYCE, will likely seek to redeem the Preference Shares. The holders of the Preference Shares do not have the right to require PAYCE to buy-back their Preference Shares.
- PAYCE may elect not to pay a dividend on the Preference Shares. However, in these circumstances, PAYCE is prohibited from paying dividends or making other distributions on any other classes of its share capital.
- If PAYCE elects to pay a dividend on the Preference Shares, it has the discretion to pay the dividend in either cash, the issue of additional Preference Shares at \$7.50 each or a combination of them.
- The Preference Shareholders do not have voting rights except in relation to issues that directly affect the Preference Shares.
- On winding up of PAYCE, Preference Shares rank ahead of Ordinary Shares but behind all creditors of PAYCE. If there is a shortfall of funds on winding up of PAYCE to pay all amounts ranking higher than the Preference Shares, Preference Shareholders may lose all or some of their investment.

Based on the above discussions, we have concluded that the risks attached to the Preference Shares and the return required by the Preference Shareholders closely reflects the cost of equity for PAYCE albeit at the low end of our assessed range given that on winding up of PAYCE, the Preference Shares will rank ahead of Ordinary Shares.

For the purpose of discounting the dividends entitled to the Preference Shareholders, we have adopted a discount rate of 10.50% which is the low-end of our assessed cost of equity of PAYCE (refer to Appendix B for details).

Based on the above assumption, we have assessed the fair market value of the future dividends stream in perpetuity at \$8.10 per Preference Share.

6.6.2 Fair market value of the Redeem Option

In order to assess the value of the Redeem Option we have adopted the binomial option pricing model. The Redeem Option is similar to an American Option³⁴ as it does not have an expiry date or exercise date and the option to repurchase is completely at the behest of PAYCE.

In calculating the fair market value of the Redeem Option we have considered the following inputs:

- *Strike price* – equal to \$7.50 which is the redeemable value per Preference Share.

³⁴ American option allow option holders to exercise the option at any time prior to and including its maturity date, thus increasing the value of the option to the holder relative to European options, which can only be exercised at maturity.

- *Underlying price* – equal to \$8.10 which is the net present value of the dividend entitlements assessed in section 6.6.1.
- *Expected life* – assumed in perpetuity which is consistent with the assumption adopted in the net present value of the dividend entitlements.
- *Volatility* – Due to the lack of listed comparable securities to the Preference Shares, we have considered the volatility of the expected market value over the expected life and cross-checked it with the weekly volatility of the 7 year Bank Bill Swap Rate for BBB rated debt over the past 10 years which has a similar risk profile to the Preference Shares. As a result, the volatility has been assessed at 6.5%.
- *Dividend yield* – equal to the average dividend yield on over the life of the Preference Shares.
- *Risk free rate* – assumed at 2.1% based on the 10 year Government Bond.

Using the above inputs and solving for the binomial option pricing model we have assessed the fair value of the Redeem Option as \$0.60.

6.6.3 Conclusion on the value of the Preference Shares

Based on the above, we have assessed the fair market value of the Preference Share at \$7.50 as outlined in the table below:

6.7 Valuation cross check

Prior to reaching our valuation conclusion, we have also compared the multiple implied in our valuation assessment of PAYCE to the PBV of listed comparable companies.

The table below displays the PBV multiple implied by our valuation assessment:

Assessed Price to Book Value multiple of PAYCE (A\$'000s)	Section	Low	High
Fair market value of PAYCE	Section 6	208,816	254,268
Book Value of PAYCE as at Valuation Date	Note 1	196,001	196,001
Assessed Price to Book Value multiple (control basis)		1.07x	1.30x

Source: GT calculations

Note 1 – in order to ensure consistency between the fair market value of PAYCE and the book value of the net assets adopted in the PBV multiple, we have removed from the audited net assets of PAYCE as at 30 June 2016 the book value of the minority interest and Preference Shares which are considered as a deduction in our valuation assessment of PAYCE.

Summarised below are the trading PBV multiples of the selected companies having regard to trading prices:

Price to book value multiple					
	Location	Market capitalisation as at 30-Jun-16 (A\$)	Enterprise value as at 30-Jun-16 (A\$)	P/BV FY16 ¹ Actual	P/BV 30-Aug-16 ² Actual
AVJennings Limited	Australia	213.75	368.31	0.59x	0.73x
Cedar Woods Properties Ltd.	Australia	343.18	418.73	1.12x	1.31x
Finbar Group Limited	Australia	192.22	248.64	0.84x	0.85x
Peet Limited	Australia	458.13	777.18	0.91x	0.97x
Sunland Group Limited	Australia	239.52	429.27	0.67x	0.76x
Villa World Limited	Australia	236.28	278.78	1.00x	1.17x
Low (3 most comparable companies)³				0.84x	0.85x
Average (3 most comparable companies)³				0.96x	1.04x
Median (3 most comparable companies)³				0.91x	0.97x
High (3 most comparable companies)³				1.12x	1.31x
Low (All)				0.59x	0.73x
Average (All)				0.86x	0.97x
Median (All)				0.88x	0.91x
High (All)				1.12x	1.31x

Source: S&P Capital IQ

Note (1): P/BV FY16 figures are calculated by dividing the market capitalisation of the companies as at 30 June 2016 by the earnings as at 30 June 2016.

Note (2): P/BV 30-Aug-16 figures are calculated by dividing the market capitalisation of the companies as at 30 August 2016 by the earnings as at 30 June 2016.

Note (3): The 3 most comparable companies are Cedar Woods Properties Ltd, Finbar Group Limited, and Peet Limited.

A brief description of the companies listed in the table above is set out in Appendix C.

We note the following in relation to the comparable companies:

- The comparable companies are listed Australian property developers with a focus on residential development of either townhouses or units and are of similar size and scale as PAYCE. However we note none of the comparable companies are directly comparable to PAYCE in terms of target market.
- We note that while AV Jennings Limited (“AV Jennings”) has a major focus on the NSW residential market similar to PAYCE, its product focus is on affordable housing which is primarily located away from main capital cities. Further, AV Jennings also focuses on providing land and home packages.
- While Cedar Woods Properties Ltd (“Cedar Woods”) is primarily focused on the Western Australian (“WA”) residential market its projects are similar to PAYCE and range from a mix of small affordable housing lots at its residential estates through to high-end luxury apartments at boutique waterfront developments. Further, like PAYCE the projects are diverse in that some are located in regional areas while others are located in the city.



- Finbar Group Limited (“Finbar”) derives its revenue from the WA residential market. Due to the slowdown in the mining industry there has been weakness in the WA residential property market which is reflected in the gradual decline in Finbars PBV multiple over the years. However, similar to PAYCE, Finbar develops medium to high-density residential buildings, with some in close proximity to the city while other properties lie on outer areas. In terms of product offering, Management consider Finbar to be the most comparable company however we note that the underlying market trends are vastly different between WA and NSW.
- Peet Limited (“Peet”) is primarily focused on the WA and Queensland markets and derives its revenue from residential development from company-owned projects and joint arrangements. Peet acquires, develops and markets residential land as well as develops medium-density housing with a focus on affordable to middle market segment. In addition to property development, Peet also has a funds management business which generates approximately 20% of its revenue.
- Sunland Group Limited (“Sunland”) and Villa World Limited (“Villa World”) both derive majority of their revenue from the Queensland property market. Sunland focuses on the residential housing and urban development segment (land subdivision and medium density housing) and multi storey segment (medium rise projects, 5-15 storeys). However, unlike PAYCE, Sunland is involved in construction and focuses on premium end properties. Villa World develops, constructs and sells residential land and buildings as well as offers sales of land only. Similar to PAYCE, Sunland focuses on affordable to mid-price products.

Based on the analysis above, in our opinion the most comparable companies to PAYCE based on product offerings and target segment are Cedar Woods, Finbar and Peet. It is important to note however that the PBV multiples presented in the table above reflect the value of underlying companies on a minority basis and do not include a premium for control.

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise synergistic benefits.
- Access to cash flows.
- Access to tax benefits.
- Control of the board, the management team and the strategy of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% in Australia and that the premiums vary significantly from transaction to transaction.

Whilst none of the listed peers is perfectly comparable to PAYCE, we are of the opinion that overall the PBV multiple of the 3 most comparable companies provide a reasonable guidance of the fair market value of PAYCE.

The PBV implied in our valuation assessment of PAYCE between 1.07x and 1.30x seems reasonable having regards to the average and median PBV of the peers companies when a premium for control is taken into account.

7 Evaluation of Ordinary Scheme Notes Consideration

Notwithstanding that the Cash Consideration is the default consideration, in our assessment of the fairness of the Ordinary Scheme, we have also compared the fair market value of PAYCE on a control basis to the market value of the Bellawest Notes.

7.1 Bellawest Notes

As discussed in section 5, in valuing the Bellawest Notes, we have benchmarked the key terms and, in particular, the coupon to be received by Ordinary Scheme Shareholders to the return required for investments with a similar risk profile to test whether or not the face value is representative of fair market value.

Given the lack of funding instruments perfectly comparable to the Bellawest, in our valuation assessment we have considered a number of alternative fundings which overall provide an indications of the return required for the Bellawest Notes.

Our analysis is summarised below.

- *PAYCE Preference Shares.* In 2015 PAYCE issued the Preference Shares with a dividend rate of 6% per annum which increases by an additional 1% per annum to a maximum of 12% per annum. The Preference Shares are potentially redeemable by PAYCE at the face value of \$7.50 every quarter. For the 12 month period commencing on 4 June 2016, PAYCE will pay a dividend rate of 7% per annum on the Preference Shares. In our opinion, the return required by the holder of Preference Shares is higher than the holder of Bellawest Notes due to the following:
 - The Bellawest Notes have a fixed term of two years whilst the Preference Shares do not have a fixed maturity date (i.e. no liquidity) and are callable at the discretion of PAYCE.
 - The dividend payable on the Preference Shares is at discretion of PAYCE whereas PAYCE has an obligation to pay the interest on the Bellawest Notes.
- *Corporate Notes.* In December 2013 the Company announced the completion of a \$50 million senior secured note issue (i.e. Corporate Notes). The Corporate Notes, which were redeemed early in March 2016, had a 5 year term, maturing in December 2018, and paying a fixed coupon at 9.5% per annum which is higher than the interest rate of 6.5% payable on the Bellawest Notes. However, we note the following:
 - The cash rate³⁵ was 2.5% in December 2013 compared with the current cash rate of 1.5%. All other things being the same, a higher cash rate will require PAYCE to offer a higher return on its debt instruments.
 - When the Corporate Notes were issued, PAYCE was a smaller business with reported net assets and net profit after tax of \$141 million and \$5.1 million, respectively compared with \$276 million and \$86.5 million as at 30 June 2016. Typically, there is more risks attached to a

³⁵ The cash rate, which is set by the Reserve Bank of Australia, is the overnight money market interest rate and affects the interest rates of all other debt instruments.

smaller and less diversified business and is hence required to offer greater returns to attract capital providers.

- As outlined in the table below, the YTM³⁶ of the Corporate Notes as at 21 January 2016 was 6.52% which is more in line with the interest rate offered on the Bellawest Notes.
- *Comparable companies cost of borrowing.* We have also undertaken a benchmark of the cost of borrowing on non-convertible unsecured notes and bonds issued by companies operating in the real estate sector in the past 12 to 36 months. Our analysis is set out below.

Issue date	Company name	Market capitalisation as at 30 June 2016 (\$'m)	Location	Face value (\$'m)	Term (Yrs)	Convertible	Security	Interest rate
Aug-16	Mirvac Group	7,477.4	Australia	200.0	7.0	No	No	3.5%
Jun-16	Peet Limited ⁴	458.1	Australia	100.0	5.0	No	No	6.8%
Nov-15	Sunland Group Limited ⁵	239.5	Australia	50.0	5.0	No	No	7.5%
Nov-15	Stockland Corporation Limited	11,247.7	Australia	250.0	7.0	No	No	4.5%
Jun-14	LendLease Group	6,973.1	Australia	225.0	6.0	No	No	6.0%
Dec-13	PAYCE Consolidated Limited ¹	138.9	Australia	50.0	5.0	No	Yes	6.5%
Sep-13	Stockland Corporation Limited ⁴	11,247.7	Australia	150.0	6.0	No	No	3.1%
2005-15	Stockland Corporation Limited ²	11,247.7	Australia	1,997.0	10.0-15.0	No	No	5.1%
Average³		5,397.5		146.4	5.9			5.4%
Median³		6,973.1		150.0	6.0			5.6%

Source: ASX announcements

Note (1): PAYCE redeemed all remaining outstanding 9.5% pa Australian Dollar Notes on 31 March 2016. YTM at 21 January 2016 or a yield of 4.82% if called on 3 December 2016.

Note (2): An aggregation of US private placements as at 30 June 2016. Interest rate is based on the weighted average of the face value in 2016.

Note (3): Average and median figures exclude Stockland's US private placements.

Note (4): YTW based on the trading prices at 29 August 2016. We note that the YTM was not available.

Note (5): Based on YTM at 17 May 2016.

Based on table above we note the following:

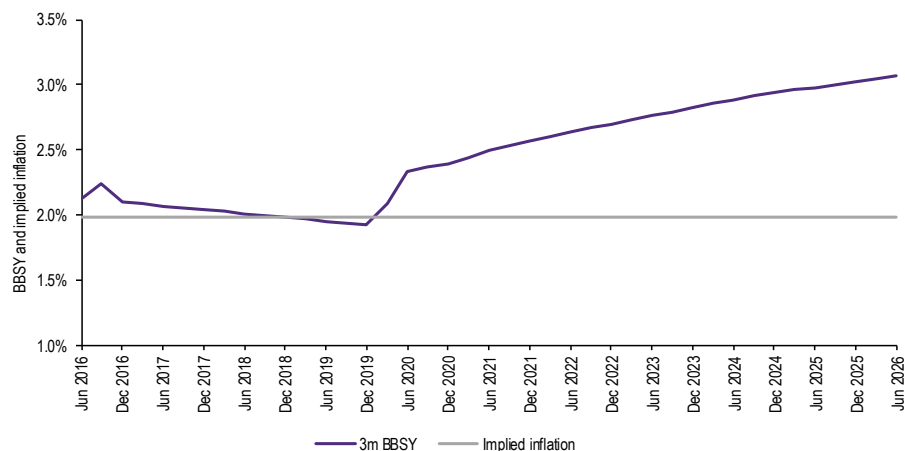
- Whilst we acknowledge that some of the comparable companies have limited comparability with PAYCE and some of them are significantly larger, we note that the overall benchmark interest rate analysis set out in the table above provides an indication of the market return required for the Bellawest Notes.
- Peet Limited recently issued unsecured bonds with a fixed interest rate of 7.5% per annum and a maturity date of 5 years ("Peet Bonds"). We note the following in relation to this debt issue:
 - a. The Peet Bonds are listed on the ASX and accordingly the overall return for the holders will be a combination of interest received and movements in the capital value. The YTW³⁷ as at 29 August 2016 was 6.8% which we have adopted in our benchmarking analysis above.

³⁶ The Yield to Maturity ("YTM") is the internal rate of return earned by an investor who buys the bond today at the market price, assuming that the bond will be held until maturity.

³⁷ The yield to worst ("YTW") is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

- b. The Peet Bonds have a longer maturity than the Bellawest Notes. As outlined in the forward Bank Bill Swap Bid Rate³⁸ (“BBSY”) curve as at 30 June 2016 set out below, interest rates are expected to slightly reduce over the next two years and then increase in the medium to long term. Based on the current market conditions and quantitative easing monetary policies adopted by many governments around the world, there are limited expectations that the interest base rates will increase in the short term in Australia. Accordingly, all other things being equal, it is reasonable to assume that the interest rate on the Bellawest Notes is lower than the Peet Bonds.

Forecast BBSY and implied inflation

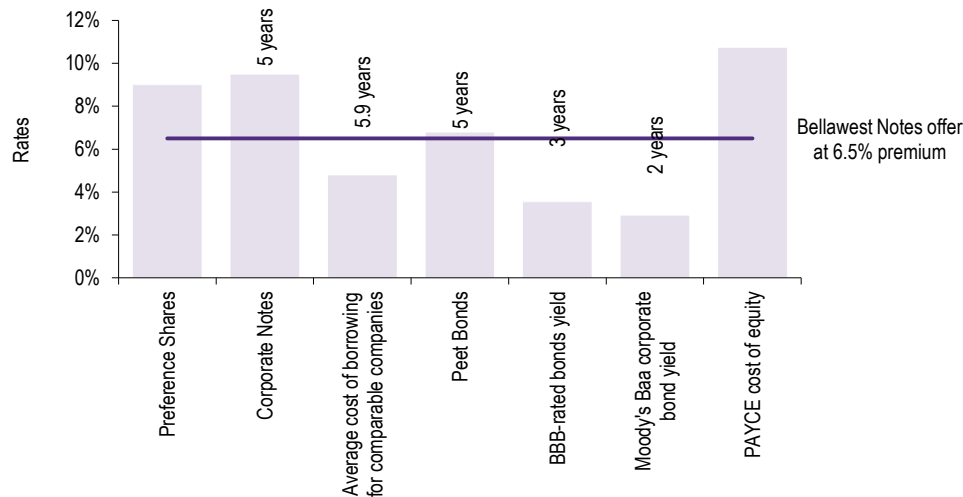


- Our benchmark analysis includes debt instruments issued by corporations materially bigger than PAYCE. Typically, all else being equal, larger companies are considered less risky given their market position, sheer breadth of operations and more diversified development portfolio and thus have a lower cost of borrowing.
- As discussed above, longer maturity notes usually carry a higher interest rate as compared to shorter-term maturity notes. In this regard, we note that all the debt instruments included in our benchmark analysis have a maturity of 5 years or longer.
- *Borrowing costs of similar rated companies.* In our analysis we have also considered the following:
 - The spot yield of the three year non-financial corporate BBB-rated bonds yield per publication F3 from the Reserve Bank of Australia is 3.55% as at 30 June 2016.
 - The spot yield of Moodys’ Baa corporate bond as at 30 June 2016 is 2.92% .
- *PAYCE cost equity.* As discussed in Appendix B, we have assessed PAYCE’s cost of equity between 10.5% and 11% (rounded) which represent a cap in our analysis of the potential returns required for the Bellawest Notes.

³⁸ The BBSY is a benchmark interest rate typically used by financial institutions and corporations engaging in interest rate swaps.

Set out below is a graphical representation of the analysis discussed above.

Benchmark analysis



Source: Reserve Bank of Australia, annual reports of comparable companies, Moody's website and S&P Capital IQ

Based on the above, we are of the opinion that the interest rate of 6.5% payable on the Bellawest Notes is not inconsistent with the returns offered for alternative investments with a similar risk profile. Accordingly, we conclude that the fair value of the Bellawest Notes is consistent with its face value which we have adopted in our fairness assessment of the Ordinary Scheme Notes Consideration.

8 Evaluation of Preference Scheme Note Consideration

In our assessment of the fairness of the Preference Scheme, we have compared the fair market value of the Preference Shares with the fair market value of the PAYCE Notes.

8.1 Preference Shares

As discussed in section 6.6, we have assessed the fair market value of the Preference Shares at \$7.50 per share.

8.2 PAYCE Notes

As discussed in section 5, in valuing the PAYCE Notes, we have benchmarked the key terms and, in particular, the coupon to be received by Preference Scheme Shareholders to the return required for investments with a similar risk profile to test whether or not the face value of the PAYCE Notes is representative of the fair market value.

We note that the terms of the PAYCE Notes are substantially equivalent to the Bellawest Notes except for the following:

- The interest rate is 7.5% per annum instead of 6.5% per annum.
- The maturity is 4 years instead of 2 years.

Based on the benchmarking analysis undertaken in section 7, which should be read in conjunction with section 8, we are of the opinion that the return offered by the PAYCE Notes is in line with alternative investments with a similar risks profile. In reaching our conclusion, we have considered the following:

- The higher interest rate offered by the PAYCE Notes compared with the Bellawest Notes compensate for the longer maturity.
- The return offered by the PAYCE Notes is slightly higher but materially consistent with the YTW offered by Peet Limited over the same maturity.
- The interest rate of the PAYCE Notes is not inconsistent with the YTM assessed for the Corporate Notes in January 2016 before their redemption, however we note that the Corporate Notes were secured and they were issued at a time of higher interest rates.

Based on the above, we are of the opinion that the interest rate of 7.5% payable on the PAYCE Notes is not inconsistent with returns offered for alternative investments with a similar risk profile. Accordingly, we conclude that the fair value of the PAYCE Notes is consistent with its face value.

9 Sources of information, disclaimer and consents

9.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Scheme Implementation Deed
- ASX announcement regarding the Proposed Schemes
- Releases and announcements by PAYCE to ASX
- PAYCE annual reports for FY14 and FY15
- FY16 Financial Statements
- PAYCE's share register
- PAYCE website
- Various broker reports
- Other publicly available information;
- IBISWorld Report
- Capital IQ
- Discussions with Management

9.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to PAYCE and all other parties involved in the Proposed Schemes with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to PAYCE, its shareholders and all other parties involved in the Proposed Schemes.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with PAYCE or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Schemes.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Schemes, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Schemes. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

9.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by PAYCE and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by PAYCE and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of PAYCE.

Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, disclaim all responsibility for PAYCE's failure to inform us of any changes to any information and/or material which impacts upon the services we have agreed to provide. PAYCE must take all necessary steps to immediately correct any announcement, communication or document issued which contains, refers to, or is based upon such information.

This report has been prepared to assist the Independent Directors in advising PAYCE Shareholders in relation to the Proposed Schemes. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Schemes are in the best interests of the Scheme Shareholders.

9.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Scheme Booklet to be sent to PAYCE Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Appendix B – Discount Rate

Discount Rate Inputs

Required rate of return on equity capital

We have used the Capital Asset Pricing Model (“CAPM”), which is commonly used by practitioners, to calculate the required return on equity capital for PAYCE.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment’s expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company’s returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment’s beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment’s relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

R_f = risk free rate

β_e = expected equity beta of the investment

$(R_m - R_f)$ = market risk premium

Risk free rate

In the absence of an official risk free rate, the yield on Australian Commonwealth Government Bonds is commonly used as a proxy. We have observed the yield on the 10-year Australian Commonwealth Government Bond over several intervals from a period of 5 trading days to 5 years as at 30 June 2016 as set out in the table below:

Australia Government Debt - 10 Year				
as at	30 June 2016	Range		Daily average
Previous 5 trading days	1.99%	-	2.06%	2.01%
Previous 10 trading days	1.99%	-	2.26%	2.09%
Previous 20 trading days	1.99%	-	2.26%	2.11%
Previous 30 trading days	1.99%	-	2.70%	2.39%
Previous 60 trading days	1.99%	-	2.80%	2.45%
Previous 1 year trading	1.99%	-	3.12%	2.65%
Previous 2 years trading	1.99%	-	3.74%	2.83%
Previous 3 years trading	1.99%	-	4.44%	3.19%
Previous 5 years trading	1.99%	-	5.24%	3.36%
Previous 10 years trading	1.99%	-	6.79%	4.61%

Source: Capital IQ and GTCF calculations

The current risk free rate (estimated with reference to the 10-year Australian Government Bond rate) is at historically low levels. Most market observers regard this as inconsistent with current share prices, the observed volatility in markets and general economic uncertainty. In response, many valuers have either used a normalised risk free rate, increased their estimates of the market risk premium or have included an additional risk factor in their calculations of the cost of equity.

In our assessment of the discount rate, we have adopted a risk free rate of 3.4% with consideration to the 5 year average of the 10 year Australian Government Bond yields as at 30 June 2016.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

Empirical studies of the historical risk premium in Australia over periods of up to 100 years suggest the premium is between 6% and 8%. Current research indicates that the actual long term horizon risk premium is approximately 100 basis points less than that indicated by the Ibbotson full period data (at 7%). As such, for the purpose of the discount rate assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6%. This is consistent with our assumption in relation to the long term risk free rate.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of this report, we have had regard to the observed betas (equity betas) of companies engaged in the advertisement sector.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

β_e = Equity beta

β_a = Asset beta

t = corporate tax rate

The betas are de-gearred using the average gearing³⁹ level over the period in which the betas were observed and then re-gearred based on the current average gearing ratio of comparable companies.

For the purposes of this valuation, we have selected a beta of 1.2 to 1.3 to calculate the required rate of return on equity capital for PAYCE.

³⁹ Gearing ratio represents Net debt/Market capitalisation



Company Beta analysis	Market Cap \$'million	Equity Beta ¹	Sirca Beta ²	CapitalIQ Beta		Sirca Beta	
				Ungeared Beta ⁴	Regeared Beta ⁴	Ungeared Beta ⁵	Regeared Beta ⁵
AVJennings Limited	214	0.58	1.10	0.39	0.57	0.74	1.08
Cedar Woods Properties Ltd.	343	0.60	1.82	0.53	0.78	1.61	2.36
Devine Limited	76	0.92	2.90	0.55	0.80	1.72	2.52
Finbar Group Limited	192	0.98	0.85	0.80	1.17	0.70	1.02
Tian An Australia Limited	60	nmf	nmf	nmf	nmf	nmf	nmf
Peet Limited	458	0.74	2.06	0.49	0.71	1.36	2.00
Sunland Group Limited	240	0.19	0.99	0.15	0.22	0.78	1.15
Villa World Limited	236	0.88	2.07	0.64	0.94	1.51	2.22
Average		0.70	1.68	0.51	0.74	1.20	1.77
Median		0.74	1.82	0.53	0.78	1.36	2.00

Source: S&P Capital IQ, SIRCA Limited and GTCF calculation

Note: nmf - Not meaningful

Discount rate calculation

The discount rate determined is set out below.

Cost of equity calculation	Low	High
Cost of equity		
Risk free rate	3.4%	3.4%
Beta	1.20	1.30
Market risk premium	6.0%	6.0%
Cost of equity	10.6%	11.2%
Adopted rounded cost of equity	10.5%	11.0%

Source: S&P Capital IQ, RBA and Calculations

Appendix C - Description of comparable companies

Company	Description
Payce Consolidated Ltd.	Payce Consolidated Limited, together with its subsidiaries, engages in the investment and development of properties in Australia. The company develops residential apartments for sale, as well as owns and rents industrial and retail properties. The company was founded in 1978 and is headquartered in Sydney, Australia.
AVJennings Limited	AVJennings Limited operates as a residential development company in Australia. It engages in land and apartment development, and integrated housing activities. The company was founded in 1932 and is based in Hawthorn, Australia. AVJennings Limited is a subsidiary of SC Global Developments Pte Ltd.
Cedar Woods Properties Ltd.	Cedar Woods Properties Limited engages in property investment and development activities in Australia. The company is involved in the urban land subdivision and development of residential, commercial, and industrial projects in Western Australia, Victoria, and Queensland. It offers small affordable housing lots at its residential estates and luxury apartments at boutique waterfront developments. Cedar Woods Properties Limited was founded in 1987 and is headquartered in West Perth, Australia.
Devine Limited	Devine Limited, together with its subsidiaries, engages in land development, home building, construction, and property development activities in Australia. It develops and sells various real estate properties, including housing, residential land, residential units, and retail/commercial office developments, as well as medium density and high-rise developments. The company was founded in 1983 and is based in Hamilton, Australia. Devine Limited is a subsidiary of CIMIC Group Limited.
Finbar Group Limited	Finbar Group Limited, together with its subsidiaries, invests in and develops properties in Australia. It primarily develops medium to high-density residential apartments and commercial office/retail properties, and rents its properties in Western Australia. The company was incorporated in 1984 and is based in East Perth, Australia.
Tian An Australia Limited	Tian An Australia Limited engages in the development of residential properties in Australia. The company's project portfolio comprises residential communities, townhouses, and apartments, as well as mixed-use properties for the retail/commercial premises. It also provides retail and commercial for lease. The company was formerly known as PBD Developments Limited and changed its name to Tian An Australia Limited in April 2016. Tian An Australia Limited was founded in 1985 and is based in Sydney, Australia.
Peet Limited	Peet Limited acquires, develops, and markets residential land in Australia. The company operates through Funds Management, Company-Owned Projects, and Joint Arrangements segments. The Funds Management segment provides underwriting, capital raising, and asset identification services. The Company-Owned Projects segment acquires parcels of land primarily for residential development purposes, as well as produces non-residential blocks of land. The Joint Arrangements segment undertakes and develops land for government, statutory authorities, and private landowners. As of June 30, 2015, it managed and marketed a land bank of approximately 47,000 lots in various Australian cities. The company was founded in 1895 and is based in Perth, Australia.
Sunland Group Limited	Sunland Group Limited develops and constructs residential properties in Australia. It operates through Residential Housing and Urban Development, and Multi-Storey segments. The Residential Housing and Urban Development segment is involved in land subdivision and medium density integrated housing developments. The Multi-Storey segment develops and sells medium-rise projects between 5 and 15 storeys, and high-rise developments above 15 storeys. The company also provides project services. Sunland Group Limited was founded in 1983 and is based in Brisbane, Australia.
Villa World Limited	Villa World Limited develops and sells residential land; and develops, constructs, and sells house and land packages in Australia. It operates through two segments, Property Development and Construction-Queensland and NSW, and Property Development and Construction-Victoria. Villa World Limited was founded in 1986 and is headquartered in Broadbeach, Australia.

Source: S&P Capital IQ

**Appendix D – Description of target companies**

Target Company	Description
Devine Limited	Devine Limited, together with its subsidiaries, engages in land development, home building, construction, and property development activities in Australia. It develops and sells various real estate properties, including housing, residential land, residential units, and retail/commercial office developments, as well as medium density and high-rise developments. The company was founded in 1983 and is based in Hamilton, Australia. Devine Limited is a subsidiary of CIMIC Group Limited.
PBD Developments Limited (nka: Tian An Australia Limited)	Tian An Australia Limited engages in the development of residential properties in Australia. The company's project portfolio comprises residential communities, townhouses, and apartments, as well as mixed-use properties for the retail/commercial premises. It also provides retail and commercial for lease. The company was formerly known as PBD Developments Limited and changed its name to Tian An Australia Limited in April 2016. Tian An Australia Limited was founded in 1985 and is based in Sydney, Australia.
CIC Australia Limited	CIC Australia Limited, together with its subsidiaries, is engaged in the acquisition, subdivision, development, construction, and sale of residential real estate projects. It undertakes projects in South Australia, the Northern Territory, and Western Australia, as well as on the NSW south coast. The company was formerly known as Jerrabomberra Estates Limited and changed its name to CIC Australia Limited in February 2010. The company was founded in 1986 and is headquartered in Canberra, Australia. CIC Australia Limited operates as a subsidiary of Peet Limited.
PBD Developments Limited (nka: Tian An Australia Limited)	Tian An Australia Limited engages in the development of residential properties in Australia. The company's project portfolio comprises residential communities, townhouses, and apartments, as well as mixed-use properties for the retail/commercial premises. It also provides retail and commercial for lease. The company was formerly known as PBD Developments Limited and changed its name to Tian An Australia Limited in April 2016. Tian An Australia Limited was founded in 1985 and is based in Sydney, Australia.
CIC Australia Limited	CIC Australia Limited, together with its subsidiaries, is engaged in the acquisition, subdivision, development, construction, and sale of residential real estate projects. It undertakes projects in South Australia, the Northern Territory, and Western Australia, as well as on the NSW south coast. The company was formerly known as Jerrabomberra Estates Limited and changed its name to CIC Australia Limited in February 2010. The company was founded in 1986 and is headquartered in Canberra, Australia. CIC Australia Limited operates as a subsidiary of Peet Limited.

Source: S&P Capital IQ

Appendix E – Debt ratio of Bellawest and PAYCE

We have summarised below the pro-forma debt ratio of PAYCE and Bellawest based on information provided by PAYCE and the Scheme Booklet.

\$ million	Per 2016 Financial Statements ⁽¹⁾	Post 30 June 2016 settlements adjustments ⁽²⁾	PAYCE Adjusted for Schemes ⁽³⁾	Bellawest Adjusted for Schemes ⁽³⁾
Total Borrowings	621	386.9	519	590
Cash	-29	-171	-92	-92
Net Debt - D	592	215.9	427	498
Total Equity - E	276	318	243	115
Debt Ratio - D/(D+E)	68%	40%	64%	81%

Source - PAYCE and Scheme Booklet

- Note 1 – based on the audited accounts as at 30 June 2016.
- Note 2 – adjusted for the settlements of the 4.5 hectare acquisition in Melrose Park, the East Village and the Ermington Village projects.
- Note 3 – based on the pro-forma balance sheet included in the Scheme Booklet assuming the consideration under the Ordinary Scheme is paid 50% in Bellawest Notes and 50% in cash.

Set out below, we have outlined the debt ratio of the selected listed peer companies.

Company	Net debt (\$m)	Market Cap (\$m)	Gearing (D/(D+E))
Mirvac Group	2,565	8,077	24.1%
Peet Limited	291	490	37.3%
Sunland Group	181	257	41.4%
Lend Lease Group	1,016	7,705	11.7%
Stockland Corporation Limited	3,803	11,189	25.4%

Note (1): Net debt as at 30 June 2016

Note (2): Market Cap as at 7 September 2016

Source: S&P Capital IQ

Appendix F – Glossary

A\$ or \$	Australian dollar
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AV Jennings	AV Jennings Limited
Bellawest Associates	Bellawest and Lanox Pty Limited
Bellawest Notes	Unsecured note issued by the Bidder with a face value of \$12.60, a maturity of two years and an interest rate of 6.5% per annum paid quarterly in arrears
Bellawest or the Bidder	Bellawest Pty Limited
CAGR	Compounded annual growth rate
CAPM	Capital Asset Pricing Model
Cash Consideration	Cash of \$12.60 per Ordinary Share
Cedar Woods	Cedar Woods Properties Ltd
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow
Corporate Notes	\$50 million senior secured note issue with a 5 year term, maturing in December 2018, and paying a fixed coupon at 9.5% per annum. Redeemed by PAYCE in March 2016.
Finbar	Finbar Group Limited
FSG	Financial Services Guide
FYXX	Financial year ending 30 June 20XX
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
Guarantor	Lanox Pty Limited
ha	hectares
HIA	Housing Industry Association
Maturity Date	Redemption date of notes
Mixed Consideration	A combination of both Cash Consideration and Ordinary Scheme Notes Consideration
Mr Boyd	Mr Brian Boyd
NSW	New South Wales
Ordinary Scheme	Acquisition of all the outstanding Ordinary Shares other than those held by Mr Boyd and his associates by way of a scheme of arrangement
Ordinary Scheme Notes Consideration	Issue of Bellawest Notes
Ordinary Scheme Shareholders	PAYCE ordinary shareholders other than Mr Boyd and his associates
Ordinary Shares or PAYCE Shares	PAYCE's Ordinary Shares
PAYCE Finance	PAYCE Finance Pty Limited
PAYCE Loan	Loan with reference to the cash required to be paid to the Ordinary Scheme

	Shareholders up to a maximum of \$120 million made by PAYCE to the Bidder
PAYCE Notes	Unsecured note issued by PAYCE with a face value of \$6.50, maturity of 4 years and an interest rate of 7.5% per annum paid quarterly in arrears
PAYCE or the Company	PAYCE Consolidated Limited
PAYCE Projects	PAYCE's properties held for development and resale
PBV	Price/Book Value
Peet	Peet Limited
Peet Bonds	Peet issued unsecured bonds with a fixed interest rate of 7.5% per annum and a maturity date of 5 years
Preference Consideration	Consideration consisting of cash and PAYCE Notes
Preference Scheme	Preference Shares scheme pursuant to which PAYCE will undertake a selective reduction of the capital and cancellation of all Preference Shares
Preference Scheme Shareholders	Holders of the Preference Shares
Preference Shares	PAYCE's Preference Shares
Proposed Schemes	The Ordinary Scheme and the Preference Scheme
Redeem Option	PAYCE's option to redeem the Preference Shares on any dividend date
Redemption Notice	Notes redeemable by Shareholders giving PAYCE written note or vice versa
RG 112	Regulatory Guide 112 Independence of experts
RG142	Regulatory Guide 142 Scheme of arrangement
Scheme Shareholders	Ordinary and Preference Scheme Shareholders
Sekisui House	Sekisui House Australia Holdings Pty Limited
SID	Scheme Implementation Deed
Sunland	Sunland Group Limited
The Independent Directors	The Independent Directors of PAYCE
Villa World	Villa World Limited
WA	Western Australia

Annexure B Ordinary Scheme

Ordinary Scheme of Arrangement

Payce Consolidated Limited

Ordinary Scheme Shareholders



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THIS ORDINARY SCHEME OF ARRANGEMENT is made under section 411 of the *Corporations Act 2001* (Cth)

Parties

(1) Payce Consolidated Limited (PCL)

ACN	001 566 310
Address	Level 37, Chifley Tower 2 Chifley Square Sydney NSW 2000

(2) Each person registered as a holder of fully paid ordinary shares in PCL as at the Record Date other than the Non-Participating Shareholders (Ordinary Scheme Shareholders)

Operative Parts

1. Defined terms and interpretation

1.1 Defined terms

The following definitions apply unless the context requires otherwise.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.

Bidder means Bellawest Pty Limited ACN 612 757 829.

Bidder Group means the Bidder, the Bidder Guarantor and their Related Bodies Corporate and a reference to a “Bidder Group Member” or a member of the “Bidder Group” is to the Bidder, the Bidder Guarantor or any of its Related Bodies Corporate.

Bidder Guarantor means Lanox Pty Limited ACN 077 164 884.

Bidder Note means an unsecured note with a face value of \$12.60 the terms of which are set out in Annexure A, to be issued by the Bidder pursuant to the trust deed between the Bidder and Australian Executors Trustees Limited (ACN 007 869 794) dated 13 September 2016.

Business Day means a business day as defined in the official listing rules of the ASX.

Cash Consideration means \$12.60 for each Ordinary Scheme Share.

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

Conditions means the conditions precedent contained in clause 3.1 of the Implementation Deed.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia, New South Wales registry or such other court of competent jurisdiction under the Corporations Act agreed to in writing by the Bidder and PCL.

Deed Poll means the deed poll substantially in the form of Attachment 1 under which the Bidder and the Bidder Guarantor each covenants in favour of the Ordinary Scheme Shareholders to perform certain obligations attributed to them under this Ordinary Scheme.

Effective when used in relation to the Ordinary Scheme, means the coming into effect, under section 411(10) of the Corporations Act, of the Court order made under section 411(4)(b) of the Corporations Act in relation to the Ordinary Scheme.

Effective Date means the date on which this Ordinary Scheme becomes Effective.

Election means the election by an Ordinary Scheme Shareholder (other than an Ineligible Foreign Shareholder) to receive some or all of the Ordinary Scheme Consideration to which they are entitled in the form of Bidder Notes in accordance with clause 5.2(a).

Election Form means an election form for the purposes of an Ordinary Scheme Shareholder (other than an Ineligible Foreign Shareholder) making an Election.

Election Time means 5pm on the date which is eight Business Days after the Effective Date or such other time as agreed between the Bidder and PCL in writing.

End Date means:

- (a) 31 December 2016; or
- (b) such other date and time agreed in writing between PCL and the Bidder.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, 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, including ASX, ASIC, the Australian Competition and Consumer Commission and any regulatory organisation established under statute.

Implementation Deed means the scheme implementation deed dated 1 July 2016 and amended and restated on 26 August 2016 between PCL, the Bidder and the Bidder Guarantor relating to the implementation of this Ordinary Scheme and the Preference Scheme.

Ineligible Foreign Shareholder means an Ordinary Scheme Shareholder whose address shown in the Share Register is a place outside Australia and its external territories or New Zealand unless the Bidder determines that it is lawful and not unduly onerous or impracticable to issue that Ordinary Scheme Shareholder with Bidder Notes when the Ordinary Scheme becomes Effective.

Non-Participating Shareholder means the Bidder and the Bidder Guarantor.

Note Consideration means one Bidder Note for each Ordinary Scheme Share.

Noteholder Register means a register of holders of Bidder Notes.

Ordinary Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between PCL and the Ordinary Scheme Shareholders subject to any alterations or

conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by the Bidder and PCL.

Ordinary Scheme Consideration has the meaning given in clause 5.1(a).

Ordinary Scheme Implementation Date means, subject to the prior implementation of the Preference Scheme, the tenth Business Day after the Record Date, or such other day as PCL and the Bidder agree in writing.

Ordinary Scheme Meeting means the meeting of Ordinary Scheme Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Ordinary Scheme Shareholder means a holder of Ordinary Shares recorded in the Share Register as at the Record Date (other than a Non-Participating Shareholder).

Ordinary Scheme Shares means all Ordinary Shares held by the Ordinary Scheme Shareholders as at the Record Date.

Ordinary Share means a fully paid ordinary share in PCL.

Ordinary Shareholder means a person who is registered in the Share Register as the holder of an Ordinary Share.

PCL Registry means Boardroom Pty Limited of Grosvenor Place Level 12, 225 George Street, Sydney.

Preference Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between PCL and the Preference Scheme Shareholders as set out in Attachment 3 to the Implementation Deed subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by the Bidder and PCL.

Preference Scheme Shareholder means a Preference Shareholder as at the Record Date.

Preference Share means a preference share in PCL issued pursuant to the offer document dated 4 May 2015.

Preference Shareholder means a person who is registered in the Share Register as the holder of a Preference Share.

Record Date means 5.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between PCL and the Bidder.

Registered Address means in relation to a PCL Shareholder, the address shown in the Share Register as at the Record Date.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Scheme Booklet means the scheme booklet published by PCL on 23 September 2016.

Scheme Transfer means a duly completed and executed proper instrument of transfer in respect of the Ordinary Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of the Bidder as transferee, which may be a master transfer of all of the Ordinary Scheme Shares.

Schemes means the Ordinary Scheme and the Preference Scheme.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Ordinary Scheme is heard.

subsidiary has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

Share Register means the register of members of PCL maintained in accordance with the Corporations Act

1.2 Interpretation

In this Ordinary Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Ordinary 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 Ordinary 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, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Ordinary Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (h) a reference to a document (including this Ordinary 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 unless denominated otherwise;
- (j) a reference to any time is a reference to that time in Sydney;
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Ordinary Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Ordinary Scheme will be construed adversely to a party because that party was responsible for the preparation of this Ordinary Scheme or that provision; and
- (n) a reference to a body, other than a party to this Ordinary Scheme (including an institute, association or authority), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

1.3 Interpretation of inclusive expressions

Specifying anything in this Ordinary Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2. Preliminary matters

2.1 PCL

- (a) PCL is a public company limited by shares, registered in New South Wales, Australia.
- (b) PCL is admitted to the official list of the ASX.
- (c) As at the date of the Implementation Deed, PCL's capital structure was as follows:
 - (i) 19,839,827 Ordinary Shares were on issue; and
 - (ii) 9,905,398 Preference Shares were on issue.

2.2 The Bidder and Bidder Guarantor

- (a) The Bidder is a private company incorporated in Australia and registered in New South Wales and is a company limited by shares.
- (b) The Bidder Guarantor is a private company incorporated in Australia and registered in New South Wales and is a company limited by shares.

2.3 Consequences of the Ordinary Scheme becoming Effective

- (a) If this Ordinary Scheme becomes Effective:
 - (i) the Bidder must provide or procure the provision of the Ordinary Scheme Consideration to the Ordinary Scheme Shareholders in accordance with this Ordinary Scheme and the Deed Poll; and
 - (ii) all the Ordinary Scheme Shares, and all the rights and entitlements attaching to them as at the Ordinary Scheme Implementation Date, will be transferred to the Bidder and PCL will enter the name of the Bidder in the Share Register in respect of the Ordinary Scheme Shares on the Ordinary Scheme Implementation Date.
- (b) PCL, the Bidder Guarantor and the Bidder have agreed, by executing the Implementation Deed, to implement this Ordinary Scheme.
- (c) This Ordinary Scheme attributes actions to the Bidder and the Bidder Guarantor but does not itself impose an obligation on them to perform those actions. The Bidder and the Bidder Guarantor have agreed, by executing the Deed Poll, to perform the actions attributed to them under this Ordinary Scheme, including the

3. Conditions

3.1 Conditions precedent

This Ordinary Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the Conditions (other than the condition in the Implementation Deed relating to Court approval of the Schemes) 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 Ordinary Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable and agreed to by the Bidder and PCL;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Ordinary Scheme as are acceptable to the Bidder and PCL having been satisfied or waived;
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Ordinary Scheme coming into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date; and
- (f) the implementation of the Preference Scheme.

3.2 Certificate

- (a) PCL and the 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 Ordinary 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 PCL and the Bidder otherwise agree in writing.

4. Implementation of the Scheme

4.1 Lodgement of Court orders with ASIC

PCL will lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court orders approving this Ordinary Scheme as soon as practicable and in any event by no later than 10.00am on the first Business Day after the day on which the Court approves the Ordinary Scheme.

4.2 Transfer of Scheme Shares

On the Ordinary Scheme Implementation Date:

- (a) subject to the provision of the Ordinary Scheme Consideration in the manner contemplated by clause 5, the Ordinary Scheme Shares, together with all rights and entitlements attaching to the Ordinary Scheme Shares as at the Ordinary Scheme Implementation Date, will be transferred to the Bidder, without the need for any further act by any Ordinary Scheme Shareholder (other than acts performed by PCL as attorney and agent for Ordinary Scheme Shareholders under clause 8.5), by:
 - (i) PCL delivering to the Bidder a duly completed Scheme Transfer, executed on behalf of the Ordinary Scheme Shareholders by PCL, for registration; and
 - (ii) the Bidder duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to PCL for registration; and
- (b) as soon as possible following receipt of the Scheme Transfer in accordance with clause 4.2(a)(ii), PCL must enter, or procure the entry of, the name of the Bidder in the Share Register in respect of all the Ordinary Scheme Shares transferred to the Bidder in accordance with this Ordinary Scheme.

5. Ordinary Scheme Consideration

5.1 Entitlement to Ordinary Scheme Consideration

Subject to the terms of this Ordinary Scheme, each Ordinary Scheme Shareholder will be entitled to (the **Ordinary Scheme Consideration**):

- (a) for an Ordinary Scheme Shareholder (other than an Ineligible Foreign Shareholder) who has made a valid Election:
 - (i) Note Consideration for the number of Ordinary Scheme Shares specified by the Ordinary Scheme Shareholder on the Election Form that are held by that Ordinary Scheme Shareholder on the Record Date; and
 - (ii) Cash Consideration for the number of Ordinary Scheme Shares held by that Ordinary Scheme Shareholder on the Record Date for which the Ordinary Scheme Shareholder will not receive Note Consideration in accordance with paragraph 5.1(a)(i) above; and
- (b) for Ordinary Scheme Shareholders who have not made a valid Election, Ordinary Scheme Shareholders who have not made any Election, and Ineligible Foreign Shareholders, Cash Consideration for each Ordinary Scheme Share held on the Record Date.

5.2 Election

- (a) An Ordinary Scheme Shareholder, other than an Ineligible Foreign Shareholder, may make an election to receive some or all of the Ordinary Scheme Consideration to which they are entitled, in the form of Bidder Notes by completing the Election Form. An Ineligible Foreign Shareholder is not entitled to make an Election and will receive Cash Consideration.
- (b) Subject to clause 5.2(f), for an Election to receive Note Consideration to be valid:
 - (i) the Ordinary Scheme Shareholder must complete and sign the Election Form in accordance with the instructions in the Scheme Booklet and on the Election Form; and
 - (ii) the Election Form must be received by the PCL Registry before the Election Time at the address specified in the Scheme Booklet and on the Election Form, unless the Bidder and PCL agree otherwise, in their absolute discretion.
- (c) An Election whether valid or not, will be irrevocable unless the Bidder and PCL agree, in their absolute discretion, to the revocation of the Election.
- (d) If:
 - (i) a valid Election is not made by an Ordinary Scheme Shareholder;
 - (ii) no Election is made by an Ordinary Scheme Shareholder; or
 - (iii) the Ordinary Scheme Shareholder is an Ineligible Foreign Shareholder,that Ordinary Scheme Shareholder will receive Cash Consideration in respect of all of their Ordinary Scheme Shares.
- (e) Subject to clause 5.2(f) an Election will be deemed to apply in respect of the Ordinary Scheme Shareholder's registered holding of Ordinary Scheme Shares on the Record Date, regardless of whether the Ordinary Scheme Shareholder's holding of Ordinary Scheme Shares on the Record Date is greater or less than the Ordinary Scheme Shareholder's holding at the time it made its Election, unless the Bidder and PCL agree otherwise, in their absolute discretion. Where the Ordinary Scheme Shareholder's holding of Ordinary Scheme Shares on the Record Date is less than the Ordinary Scheme Shareholder's holding at the time it made its Election and an Election is made to receive Note Consideration in respect of more Ordinary Scheme Shares than are held on the Record Date, the Election will be deemed to apply to all Ordinary Scheme Shares held by that Ordinary Scheme Shareholder on the Record Date.
- (f) In the manner considered appropriate by PCL and the Bidder (acting reasonably including after consultation with the PCL Registry), an Ordinary Scheme Shareholder who is noted on the PCL Share Register as holding one or more parcels of Ordinary Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections under this clause 5.2 to receive Note Consideration for all of their Ordinary Scheme Shares in relation to any of those parcels of Ordinary Scheme Shares (subject to it providing to the Bidder and PCL any substantiating information they reasonably require), and an Election for Note Consideration made in respect of any such parcel, or an omission to make an Election for Note Consideration in respect of any such parcel, will not be taken to extend to the other parcels.

- (g) Subject to clauses 5.2(h) and 5.2(i), an Election Form will not be valid unless it is completed and received in accordance with the procedures set out in clause 5.2(b), unless the Bidder and PCL agree otherwise, in their absolute discretion.
- (h) PCL will determine, in its sole discretion having consulted with the Bidder in good faith, all questions as to the correct completion of an Election Form, and time of receipt of an Election Form. PCL is not required to communicate with any Ordinary Scheme Shareholder prior to making this determination. The determination of PCL will be final and binding on the Ordinary Scheme Shareholder.
- (i) Notwithstanding clause 5.2(b), PCL may, in its sole discretion having consulted with the Bidder in good faith, at any time and without further communication to Ordinary Scheme Shareholder, deem any Election Form it receives from an Ordinary Scheme Shareholder to be a valid Election for Note Consideration in respect of the relevant Ordinary Scheme Shares, even if a requirement for a valid Election for Note Consideration has not been complied with.

5.3 Cash Consideration

Unless an Ordinary Scheme Shareholder has made a valid Election to receive Note Consideration in accordance with clause 5.2, each Ordinary Scheme Shareholder will be entitled to receive the Cash Consideration for each Ordinary Scheme Share held by that Ordinary Scheme Shareholder at the Record Date.

5.4 Note Consideration

If an Ordinary Scheme Shareholder (other than an Ineligible Foreign Shareholder) validly Elects to receive Note Consideration, the Ordinary Scheme Shareholder will be entitled to receive:

- (a) Note Consideration for the elected number of Ordinary Scheme Shares held by that Ordinary Scheme Shareholder at the Record Date; and
- (b) Cash Consideration for the number of Ordinary Scheme Shares held by that Ordinary Scheme Shareholder at the Record Date for which a valid Election is not made.

5.5 Provision of Ordinary Scheme Consideration

- (a) The Bidder must, and PCL must use its best endeavours to procure that the Bidder does, by no later than the Business Day before the Ordinary Scheme Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Cash Consideration payable to each Ordinary Scheme Shareholder, in an Australian dollar denominated trust account operated by PCL as trustee for the Ordinary Scheme Shareholders, (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to the Bidder's account).
- (b) On the Ordinary Scheme Implementation Date, subject to funds having been deposited in accordance with clause 5.5(a), PCL must pay or procure the payment, from the trust account referred to in clause 5.5(a), to each Ordinary Scheme Shareholder the Cash Consideration as that Ordinary Scheme Shareholder is entitled under this clause 5.
- (c) The obligations of PCL under clause 5.5(b) will be satisfied by PCL (in its absolute discretion):

- (i) where an Ordinary Scheme Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the PCL Registry to receive dividend payments from PCL by electronic funds transfer to a bank account nominated by the Ordinary Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) otherwise, whether or not the Ordinary Scheme Shareholder has made an election referred to in clause 5.5(c)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ordinary Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Ordinary Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.7).
- (d) To the extent that, following satisfaction of PCL's obligations under clause 5.5(b), there is surplus in the amount held by PCL as trustee for the Ordinary Scheme Shareholders in the trust account referred to in clause 5.5(b), that surplus amount shall be paid by PCL to the Bidder.

5.6 **Provision of Note Consideration**

Bidder must, subject to clauses 5.7 and 5.8:

- (a) on the Ordinary Scheme Implementation Date, issue the Bidder Notes to each Ordinary Scheme Shareholder who made (or is deemed to have made) a valid Election to receive some or part of the Ordinary Scheme Consideration in the form of Bidder Notes, and procure that the name and address of each such Ordinary Scheme Shareholder is entered in the Noteholder Register in respect of those Bidder Notes; and
- (b) procure that on or before the date that is two Business Days after the Ordinary Scheme Implementation Date, a holding statement (or equivalent document) is sent to the Registered Address of each Ordinary Scheme Shareholder to whom Bidder Notes are issued in accordance with clause 5.6(a) representing the number of Bidder Notes issued to that Ordinary Scheme Shareholder pursuant to this Ordinary Scheme.

5.7 **Joint holders**

In the case of Ordinary Scheme Shares held in joint names:

- (a) any Cash Consideration is payable to the joint holders and:
 - (i) any electronic funds transfer required to be made under this Ordinary Scheme will be made to the bank account nominated to the PCL Registry in accordance with clause 5.5(c)(i); and
 - (ii) any cheque required to be sent under this Ordinary Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Share Register as at the Record Date;
- (b) any Bidder Notes to be issued under the Ordinary Scheme must be issued to, and registered in the names of, the joint holders; and

- (c) any other document required to be sent under this Ordinary Scheme will be forwarded to the holder whose name appears first in the Share Register as at the Record Date.

5.8 Ineligible Foreign Shareholders

The Bidder will be under no obligation to issue, and must not issue, any Bidder Notes under this Ordinary Scheme to any Ineligible Foreign Shareholder, and instead, must pay the Cash Consideration to each Ineligible Foreign Shareholder who is an Ordinary Scheme Shareholder in accordance with this clause 5.

5.9 Unclaimed monies

- (a) PCL may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to PCL; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Ordinary Scheme Implementation Date, on request from an Ordinary Scheme Shareholder (which request may not be made until the date which is 20 Business Days after the Ordinary Scheme Implementation Date), PCL must reissue a cheque that was previously cancelled under this clause 5.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Ordinary Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

5.10 Orders of a court or Government Agency

If written notice is given to PCL (or the PCL Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires payment to a third party of a sum in respect of Ordinary Scheme Shares held by a particular Ordinary Scheme Shareholder, which would otherwise be payable to that Ordinary Scheme Shareholder by PCL in accordance with this clause 5, then PCL shall be entitled to make that payment (or procure that payment is made) in accordance with that order; or
- (b) prevents PCL from making a payment by PCL to any particular Ordinary Scheme Shareholder in accordance with clause 5.5(c), or such payment is otherwise prohibited by applicable law, PCL shall be entitled to:
 - (i) retain an amount, in Australian dollars, equal to the cash component of the Ordinary Scheme Consideration to which the Ordinary Scheme Shareholder would otherwise be entitled under this clause 5; and
 - (ii) direct the Bidder not to issue, or to issue to a trustee or nominee, such number of Bidder Notes as that Ordinary Scheme Shareholder would otherwise be entitled to under this clause 5,

until such time as provision of the Ordinary Scheme Consideration in accordance with this clause 5 is permitted by that order or otherwise by law.

5.11 Status of Bidder Notes

Subject to this Ordinary Scheme becoming Effective, the Bidder must:

- (a) issue the Bidder Notes required to be issued by it under this Ordinary Scheme; and
- (b) ensure that each such Bidder Note is duly and validly issued in accordance with all applicable laws and free from any mortgage, charge, lien, encumbrance or other security interest.

6. Dealings in Ordinary Shares

6.1 Determination of Ordinary Scheme Shareholders

To establish the identity of the Ordinary Scheme Shareholders, dealings in Ordinary 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 Ordinary Shares on or before the 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 on or before the Record Date at the place where the Share Register is kept,

and PCL must not accept for registration, nor recognise for any purpose (except a transfer to the Bidder pursuant to this Ordinary Scheme, a transfer to the Bidder by another Non-Participating Shareholder, or any subsequent transfer by the 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) PCL must register registrable transmission applications or transfers of the Ordinary Scheme Shares in accordance with clause 6.1(b) before the Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires PCL to register a transfer that would result in an Ordinary Shareholder holding a parcel of Ordinary Shares that is less than a 'marketable parcel' (as defined in the Operating Rules of the ASX).
- (b) If the Ordinary Scheme becomes Effective, a holder of Ordinary Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of, any Ordinary Scheme Shares or any interest in them after the Record Date otherwise than pursuant to this Ordinary Scheme, and any attempt to do so will have no effect and PCL shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Ordinary Scheme Consideration, PCL must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Ordinary Scheme Consideration has been paid to the Ordinary Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Ordinary Scheme Consideration.
- (d) All statements of holding for Ordinary Shares (other than statements of holding in favour of the Bidder or any Non-Participating Shareholders) will cease to have effect after the Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of the Bidder or any Non-Participating

Shareholder) will cease to have effect except as evidence of entitlement to the Ordinary Scheme Consideration in respect of the Ordinary Shares relating to that entry.

- (e) As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, PCL will ensure that details of the names, Registered Addresses and holdings of Ordinary Shares for each Ordinary Scheme Shareholder as shown in the Share Register are available to the Bidder in the form the Bidder reasonably requires.

7. Quotation of PCL Shares

- (a) PCL must apply to ASX to suspend trading on the ASX in Ordinary Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Ordinary Scheme Implementation Date to be determined by the Bidder, PCL must apply:
 - (i) for termination of the official quotation of Ordinary Shares on the ASX; and
 - (ii) to have itself removed from the official list of the ASX.

8. General Scheme provisions

8.1 Consent to amendments to the Ordinary Scheme

If the Court proposes to approve the Ordinary Scheme subject to any alterations or conditions:

- (a) PCL may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which the Bidder has consented; and
- (b) each Ordinary Scheme Shareholder agrees to any such alterations or conditions which counsel for PCL has consented to.

8.2 Ordinary Scheme Shareholders' agreements and warranties

- (a) Each Ordinary Scheme Shareholder irrevocably:
 - (i) agrees to the transfer of their Ordinary Shares together with all rights and entitlements attaching to those Ordinary Shares in accordance with this Ordinary Scheme;
 - (ii) agrees to the variation, cancellation or modification (if any) of the rights attached to their Ordinary Shares constituted by or resulting from this Ordinary Scheme; and
 - (iii) acknowledges that this Ordinary Scheme binds PCL and all Ordinary Scheme Shareholders (including those who do not attend the Ordinary Scheme Meeting or those who do not vote, or vote against this Ordinary Scheme, at the Ordinary Scheme Meeting).
- (b) Each Ordinary Scheme Shareholder is taken to have warranted to PCL and the Bidder on the Ordinary Scheme Implementation Date, and appointed and authorised PCL as its attorney and agent to warrant to the Bidder on the Ordinary Scheme Implementation Date, that:

- (i) all their Ordinary Shares (including any rights and entitlements attaching to those shares) which are transferred under the Ordinary 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
 - (ii) they have full power and capacity to transfer their Ordinary Shares to the Bidder together with any rights attaching to those shares.
- (c) PCL undertakes that it will provide such warranty to the Bidder as agent and attorney of each Ordinary Scheme Shareholder.

8.3 Title to and rights in Ordinary Scheme Shares

- (a) To the extent permitted by law, the Ordinary Scheme Shares (including all rights and entitlements attaching to the Ordinary Scheme Shares) transferred under this Ordinary Scheme will be transferred 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 Ordinary Scheme Consideration to each Ordinary Scheme Shareholder in the manner contemplated by clause 5, the Bidder will be beneficially entitled to the Ordinary Scheme Shares to be transferred to it under this Ordinary Scheme pending registration by PCL of the Bidder in the Share Register as the holder of the Ordinary Scheme Shares.

8.4 Appointment of sole proxy

Immediately upon the provision of the Ordinary Scheme Consideration to each Ordinary Scheme Shareholder in the manner contemplated by clause 5, and until PCL registers the Bidder as the holder of all Ordinary Scheme Shares in the Share Register, each Ordinary Scheme Shareholder:

- (a) is deemed to have appointed the Bidder as attorney and agent (and directed the Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by the Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Ordinary Scheme Shares registered in their name and sign any shareholders' resolution;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Ordinary Scheme Shares as the Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), the Bidder and any director, officer, secretary or agent nominated by the Bidder under clause 8.4(a) may act in the best interests of the Bidder as the intended registered holder of the Ordinary Scheme Shares.

8.5 Authority given to PCL

Each Ordinary Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints PCL 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 the Bidder, and PCL undertakes in favour of each Ordinary Scheme Shareholder that it will enforce the Deed Poll against the Bidder on behalf of and as agent and attorney for Ordinary Scheme Shareholders; and
- (b) on the Ordinary Scheme Implementation Date, irrevocably appoints PCL 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 Ordinary Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and PCL accepts each such appointment. PCL as attorney and agent of each Ordinary Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

8.6 Binding effect of Ordinary Scheme

This Ordinary Scheme binds PCL and all of the Ordinary Scheme Shareholders (including those who did not attend the meeting of Ordinary Shareholders to vote on this Ordinary Scheme, did not vote at that meeting, or voted against this Ordinary Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of PCL.

9. General

9.1 Stamp duty

The Bidder will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Ordinary Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Ordinary Scheme and the Deed Poll; and
- (b) indemnify each Ordinary Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Ordinary Scheme Shareholders consents to PCL doing all things necessary or incidental to the implementation of this Ordinary Scheme, whether on behalf of the Ordinary Scheme Shareholders, PCL or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Ordinary Scheme is sent by post to PCL, 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 PCL's registered office or at the office of the PCL Registry.

- (b) The accidental omission to give notice of the Ordinary Scheme Meeting or the non-receipt of such notice by an Ordinary Shareholder will not, unless so ordered by the Court, invalidate the Ordinary Scheme Meeting or the proceedings of the Ordinary Scheme Meeting.

9.4 **Governing law**

- (a) The Ordinary 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, and courts of appeal from them in respect of any proceedings arising out of or in connection with this Ordinary 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**

PCL must do all things and execute all documents necessary to give full effect to this Ordinary Scheme and the transactions contemplated by it.

Annexure A – Terms of Bidder Note

Annexure C Deed Poll

Deed Poll

Bellawest Pty Limited
ACN 612 757 829

and

Lanox Pty Limited
ACN 077 164 884

in favour of

Each Ordinary Scheme Shareholder


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60 Carrington Street
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DETAILS

Date: 21 September 2016

Parties

Bellawest Pty Limited (Bidder)

ACN: 612 757 829

Address: 84 Cawarra Road, Caringbah NSW 2229

Lanox Pty Limited (Guarantor)

ACN: 077 164 884

Address: 84 Cawarra Road, Caringbah NSW 2229

In favour of

Each registered holder of fully paid ordinary shares in the capital of Payce Consolidated Limited (ACN 001 566 310) (**PCL**) recorded in the Share Register as at the Record Date (other than Non-Participating Shareholders) (**Ordinary Scheme Shareholders**)

Recitals

- A. The Bidder, PCL and the Guarantor have entered into the Implementation Deed.
- B. In the Implementation Deed, the Bidder and the Guarantor have agreed to execute this deed poll.
- C. The Bidder and the Guarantor are entering into this deed poll for the purposes of covenanting in favour of the Ordinary Scheme Shareholders that they will observe and perform their obligations under the Implementation Deed and the Ordinary Scheme.

Operative Parts

1. Defined terms and interpretation

1.1 Defined terms

The meanings of the terms used in this deed poll are set out below.

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act convening the Ordinary Scheme Meeting to consider the Ordinary Scheme is heard.

Implementation Deed means the scheme implementation deed entered into between PCL, the Bidder and the Guarantor dated 1 July 2016 and amended and restated on 26 August 2016 relating to the implementation of the Schemes.

Notice has the meaning give to that term in clause 6.1.

Ordinary Scheme means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between PCL and the Ordinary Scheme Shareholders, the form of which is attached to this deed poll, subject to any alterations or conditions as agreed between the Bidder, the Guarantor and PCL or made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by the Bidder, the Guarantor and PCL.

Scheme means the Ordinary Scheme and the Preference Scheme.

Unless the context otherwise requires, terms defined in the Ordinary Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clauses 1.2 and 1.3 of the Ordinary Scheme apply to the interpretation of this deed poll, except that references to 'this Ordinary Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

The Bidder and the Guarantor acknowledge that:

- (a) this deed poll may be relied on and enforced by any Ordinary Scheme Shareholder in accordance with its terms even though the Ordinary Scheme Shareholders are not party to it; and
- (b) under the Ordinary Scheme, each Ordinary Scheme Shareholder irrevocably appoints PCL and each of its directors and officers (jointly and severally) as its agent and attorney to enforce this deed poll against the Bidder and the Guarantor on behalf of that Ordinary Scheme Shareholder.

2. Conditions

2.1 Conditions Precedent

The obligations of the Bidder and the Guarantor under this deed poll are subject to the Ordinary Scheme becoming Effective.

2.2 Termination

The obligations of the Bidder and the Guarantor under this deed poll to the Ordinary 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 Ordinary Scheme is not Effective on or before the End Date.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) the Bidder and the Guarantor are released from their obligations to further perform this deed poll; and
- (b) each Ordinary Scheme Shareholder retains the rights it has against the Bidder and the Guarantor in respect of any breach of this deed poll which occurred before it was terminated.

3. Consideration

3.1 Undertaking to satisfy Ordinary Scheme Consideration

- (a) Subject to clause 2, the Bidder and the Guarantor undertake in favour of each Ordinary Scheme Shareholder to:
 - (i) provide or procure the provision of the Ordinary Scheme Consideration to each Ordinary Scheme Shareholder in accordance with the terms of the Ordinary Scheme; and
 - (ii) undertake all other actions attributed to it under the Ordinary Scheme and otherwise comply with the Ordinary Scheme as if it were a party to the Ordinary Scheme.

4. Warranties

Each of the Bidder and the Guarantor represent and warrant in favour of each Ordinary Scheme Shareholder that each of the following statements are true and correct:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding upon 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, and it is not otherwise bound by any agreement that would prevent or restrict it from entering into or performing this deed poll.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until the earlier of:

- (a) the Bidder and the Guarantor having fully performed their obligations under this deed poll; and
- (b) the termination of this deed poll under clause 2.2.

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 (communications sent by email are taken to be signed by the named sender); and
- (b) addressed to the Bidder and the Guarantor in accordance with the details set out below (or any alternative details nominated by the Bidder and the Guarantor by Notice).

Bidder

Attention: Brian Boyd
Address: c/- Danny Simmons of Pistilli Simmons by email
Email: ds@pistillisimmons.com

Guarantor

Attention: Brian Boyd
Address: c/- Danny Simmons of Pistilli Simmons by email
Email: ds@pistillisimmons.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**), then the Notice will instead be regarded as given and received at the start of the next 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 pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting.
By email to the nominated email address	The earliest to occur of: <ul style="list-style-type: none">(i) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;(ii) the time that the email is first opened or read by the intended recipient; and(iii) 2 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 2 hour period, an automated message that the email has not been delivered.

6.3 Notice must not be given by other electronic communication

A Notice must not be given by any electronic means of communication other than email as permitted by clause 6.2(b).

7. General

7.1 Stamp duty

The Bidder will, and the Guarantor will procure that the Bidder will:

- (a) pay stamp duties (and any related fines, penalties and interest) in respect of the Ordinary Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Ordinary Scheme and this deed poll (including, without limitation, the acquisition or transfer of Ordinary Scheme Shares pursuant to the Ordinary Scheme); and
- (b) indemnify each Ordinary Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Legal costs

The Bidder and the Guarantor must pay their own legal and other costs and expenses of negotiating, preparing, executing and performing their obligations under this deed poll.

7.3 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in New South Wales, Australia.
- (b) The Bidder and the Guarantor irrevocably and unconditionally submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal that have jurisdiction to hear appeals from those courts in respect of any proceedings arising out of or in connection with this deed poll. The Bidder and the Guarantor 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.

7.4 Rights cumulative

Except as expressly stated otherwise in this deed poll, the rights, powers and remedies of the Bidder, the Guarantor and each Ordinary Scheme Shareholder under this deed poll are cumulative and are in addition to any other rights of that person.

7.5 Waiver

The Bidder and the Guarantor may not rely on the words or conduct of any Ordinary Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Ordinary Scheme Shareholder granting the waiver.

7.6 Variation

A provision of this deed poll or any right created under it may not be varied, altered or otherwise amended unless:

- (a) if before the First Court Date, the variation is agreed to in writing by PCL (on behalf of each Ordinary Scheme Shareholder); or
- (b) if on or after the First Court Date, the variation is agreed to in writing by PCL (on behalf of each Ordinary Scheme Shareholder) and the Court indicates that the variation would not of itself preclude approval of the Ordinary Scheme,

in which event the Bidder and the Guarantor will enter into a further deed poll in favour of the Ordinary Scheme Shareholders giving effect to the variation.

7.7 Assignment

- (a) The rights and obligations created by this deed poll are personal to the Bidder, the Guarantor and each Ordinary Scheme Shareholder and cannot be assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt or purport to do so without the prior written consent of the Bidder, the Guarantor or PCL (as applicable).
- (b) Any purported dealing in contravention of clause 7.7(a) is invalid.

7.8 Further action

The Bidder the Guarantor must, at their own expense, do all things and execute all documents (on its own behalf or on behalf of each Ordinary Scheme Shareholder) necessary to give full effect to this deed poll and the transactions contemplated by it.

Executed as a deed poll

Executed by Bellawest Pty Limited by its)
attorney under power of attorney dated)
24 August 2016 in the presence of:)



Signature of witness

John Henry

Name of witness (print)

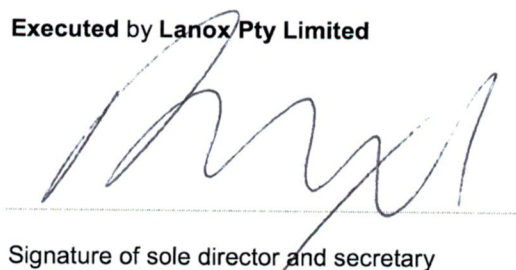


By executing this document the attorney
states that the attorney has received no
notice of revocation of the power of attorney

D.D. Simons

Name of attorney (print)

Executed by Lanox Pty Limited)
)
)



Signature of sole director and secretary

BRIAN BOYD

Name
(print)

Annexure D Terms of the Bellawest Notes

Schedule 1

Terms of Notes

1. Note Issue

1.1 Terms

The Notes will each:

- (a) have a face value representing a principal amount of \$12.60;
- (b) bear interest as set out in Term 2;
- (c) be unsecured as set out in Term 3;
- (d) be redeemed in accordance with Term 4 and Term 5; and
- (e) rank equally with each other.

1.2 Withholding Tax

- (a) All payments or credits to, or to the account of Noteholders (including payment of, and credits in respect of interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Issuer except to the extent that the Issuer is satisfied that the Noteholder is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Noteholder claiming any such exemption or to be such a person shall provide the Issuer with such evidence as the Issuer may from time to time require to satisfy itself as to the validity of such claim.
- (b) The Issuer may make any deduction or withholding from any amount payable to a Noteholder in respect of Notes for or on account of withholding or other tax required by law to be deducted or withheld, and, where any such deduction or withholding has been made and the amount thereof accounted for by the Issuer to the Commissioner of Taxation or other appropriate taxing authority and the balance of the amount payable has been paid to the Noteholder concerned, the full amount payable to such Noteholder shall be deemed to have been duly paid and satisfied by the Issuer.

1.3 Entry in Register

The Issuer must ensure that each Noteholder's details are entered in the Register.

2. Interest

2.1 Interest

Interest shall be payable on the Principal Amount of the Note at the rate of 6.5% per annum. Interest shall accrue from day to day prior to the date of redemption of the Note and will be payable or capitalised in arrears on the Interest Payment Dates on the Principal Amount of all Notes. If any Interest Payment Date is not a Business Day, interest payable shall be paid on the next succeeding Business Day.

2.2 Capitalisation of Interest

For the purposes of Term 2.1, the Issuer may elect to capitalise Interest payable on any Interest Payment Date, except an Interest Payment Date on which a Note must be redeemed in accordance with these Terms, by giving Noteholders written notice of this election not less than 7 days before the relevant Interest Payment Date.

3. Unsecured

All Notes are issued as unsecured notes and on the condition that the liabilities of the Issuer to Noteholders and to the Trustee in respect of the Notes will, subject to Clause 8.5, all rank pari passu with all other unsecured creditors of the Issuer.

4. Redemption

4.1 Redemption on the Maturity Date

Notes not previously redeemed must be redeemed by the Issuer on the Maturity Date.

4.2 Payment on Redemption under Term 5

- (a) Where a Note is redeemed or required to be redeemed on a date which is the last day of a Quarter the Issuer shall deliver to the Noteholder on that day a cheque or draft in favour of the Noteholder or such other person as the Noteholder shall have directed the Issuer in writing, for the Redemption Amount plus the amount of the interest accrued and unpaid as at the date of redemption, including during the Quarter ending on the date of redemption.
- (b) Where a Note is redeemed or required to be redeemed on a date which is not the last day of a Quarter, the Issuer shall deliver to the Noteholder on that day a cheque or draft in favour of the Noteholder or such other person as the Noteholder shall have directed the Issuer in writing, for the Redemption Amount plus the amount of interest calculated in accordance with the following formula:

$$R = \left(\frac{I}{MP} \times N \right)$$

Where:

R = the amount of interest to be added to the Redemption Amount;

I = the total amount of interest which would have been payable to that Noteholder in respect of the Note had the Noteholder held the Note on the date which is the last day of the Quarter in which redemption occurs (**Notional Interest Payment Date**);

MP = the number of days commencing on the Interest Payment Date which immediately preceded the Notional Interest Payment Date and ending on the day before the Notional Interest Payment Date; and

N = the number of days from the Interest Payment Date immediately preceding the date of redemption to but not including the date of redemption.

5. Election to redeem early

5.1 Redemption Notice

- (a) Subject to Term 5.2 each Note is redeemable by:
 - (i) the Noteholder giving the Issuer written notice in the form set out in Schedule 2 or in such other form as the Issuer may accept; or
 - (ii) the Issuer giving to the Noteholder written notice in the form set out in Schedule 3 or in such other form as is determined by the Issuer,(each a **Redemption Notice**).

- (b) A Redemption Notice may only be given by a Noteholder under Term 5.1(a)(i) during the 14 day period following the date of a Trigger Notice and the redemption date for the Notes the subject of that Redemption Notice is a Business Day not more than 28 days after the date of the Trigger Notice;
- (c) A Redemption Notice may only be given by the Issuer under Term 5.1(a)(ii) during the period between 28 and 7 days prior to any Interest Payment Date and the redemption date for the Notes the subject of that Redemption Notice is the Interest Payment Date immediately following the date of the Redemption Notice.

5.2 Limit on redemption

- (a) Notwithstanding Term 5.1(a)(i), the directors of the Issuer may determine in the best interests of the Issuer that the Issuer is only able to redeem a number of Notes which is less than the aggregate number of Notes which is the subject of all Redemption Notices (**Lesser Number**) and in such case, the Issuer must redeem such Lesser Number pro-rata as between Noteholders giving Redemption Notices in accordance with the aggregate Principal Amount of the Notes the subject of the Redemption Notice given by each such Noteholder.
- (b) Notwithstanding Term 5.1(a)(ii), unless the Issuer is redeeming all Notes, the Issuer must redeem the Notes pro-rata as between Noteholders in accordance with the aggregate Principal Amount of the Notes held by each Noteholder.

6. Participation in issue of securities and capital reorganisations

The Notes carry no right:

- (a) to participate in any issue or offer of securities to the holders of shares or other securities of the Issuer; or
- (b) to be reconstructed or re-organised by reference to any reconstruction or re-organisation of the capital of the Issuer.

7. Foreign Holders

Where Notes are held by or on behalf of a person resident outside Australia, then, but despite any other terms or conditions applicable to such Notes, it shall be a condition precedent to the right of the Noteholder to receive payment of any amount payable under this Schedule 1 that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Noteholder in respect of such payment are satisfied so that such payment will not result in a breach of any such applicable law by the Issuer.

8. Registration of Transfers

8.1 Transfer

Subject to the terms of the Trust Deed, the Noteholder may transfer all or any of the Notes that it holds by an instrument in writing in any usual form or in any other form that the directors of the Issuer approve.

8.2 Transfer process

In relation to all transfers of Notes the transfer form must be:

- (a) lodged at the Specified Office together with payment of any stamp duty, taxes or other governmental charges payable thereon; and

- (b) accompanied by such evidence as the Issuer may require to prove the title and identity of the transferor and the transferee, the right of entitlement of the transferee to receive a transfer of the relevant Note, the due execution of the transfer form and the due compliance and observance with all applicable laws and regulations of the Commonwealth of Australia and each State and Territory thereof.

8.3 Recording transfers

The Issuer shall promptly upon being satisfied with the transfer form, the information lodged therewith, the identity of the transferor and the transferee and the due compliance with such reasonable regulations as the Issuer and the Trustee may determine from time to time, accept the application contained in the transfer form by making an inscription in the Register recording the transfer of the relevant Note.

8.4 Registration

On the inscription being made in the Register, the Issuer and the Trustee shall recognise the transferee as the registered owner of the relevant Note and as being entitled to the repayment of the Principal Amount and the payment of all interest in respect thereof and to all other rights vested in Noteholders under the Deed. The transferor shall for all purposes be and be deemed to be the registered owner of the relevant Note until an inscription is made in the Register recording the transfer, the name and address of the transferee and the other matters required to be entered into the Register by the Issuer from time to time.

8.5 Administration

- (a) The Issuer shall register the transfer of a Note notwithstanding that the transfer form to which the transfer relates has not been marked by the Issuer or the Registrar.
- (b) The Issuer shall procure that all transfer forms which are registered shall be retained by the Issuer for a period of 7 years after receipt but any transfer form which the Issuer declines to register shall (except in the case of fraud or suspected fraud) be returned on demand to the person depositing the same.
- (c) The Issuer shall not register the transfer of a Note on or after its Maturity Date.

8.6 Availability of Transfer Forms

Transfer forms will be available from the Issuer.

8.7 Directions

- (a) Subject to the Trust Deed, and any conditions proposed by the Issuer at the time the Notes are issued and any notations on the Register, the Issuer will comply with any payment or distribution direction made by a transferee:
 - (i) in an application for transfer of Notes on and from the time of registration of that transfer; and
 - (ii) at any subsequent time in such form as the Issuer shall from time to time determine.
- (b) A direction from any one or more joint holders of a Note shall bind all the joint holders. If more than one direction is received from joint holders of a Note the direction of the senior is to be accepted to the exclusion of the other directions and for this purpose seniority is determined by the order in which the names appear in the Register of Noteholders in respect of the joint holding.

8.8 Transmission

Subject to Term 8.1 a person becoming entitled to Notes as a consequence of the death or bankruptcy of a Noteholder or of a vesting order or a person administering the estate of a Noteholder may, upon producing such evidence as to that entitlement or status as the Registrar consider sufficient, transfer the Notes of that Noteholder or, if so entitled, become registered as the holder of the Notes.

8.9 No Registration Fee

Transfers will be inscribed in the Register without charge provided taxes or other governmental charges (if any) imposed in relation to the transfer have been paid.

8.10 Non-Registration of Third Party Interests

Notes will be registered by name only without reference to any trusteeships. Any entry in the Register of the name and address of a Noteholder and the amount owed to that Noteholder is conclusive evidence of title subject to rectification for fraud or error.

8.11 Person registered

The person registered as a Noteholder of an amount of Notes shall be treated by the Issuer and the Registrar as the absolute owner of that amount of Notes. Neither the Issuer, the Trustee nor the Registrar shall, except as ordered by a Court or as required by statute, be obliged to take notice of any claim to a Note. Entry in the Register of the name and address of a Noteholder and the number of Notes held by that Noteholder is conclusive evidence of title subject to rectification for fraud or error.

Annexure E Preference Scheme

Preference Scheme of Arrangement

Payce Consolidated Limited

Preference Scheme Shareholders



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Ref: KAL/RDN:PAY006/4018

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THIS PREFERENCE SCHEME OF ARRANGEMENT is made under section 411 of the *Corporations Act 2001* (Cth)

Parties

(1) Payce Consolidated Limited (PCL)

ACN	001 566 310
Address	Level 37, Chifley Tower 2 Chifley Square Sydney NSW 2000

(2) Each person registered as a holder of preference shares in PCL as at the Record Date (Preference Scheme Shareholders)

Operative Parts

1. Defined terms and interpretation

1.1 Defined terms

The following definitions apply unless the context requires otherwise.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.

Bidder means Bellawest Pty Limited ACN 612 757 829.

Bidder Guarantor means Lanox Pty Limited ACN 077 164 884.

Business Day means a business day as defined in the official listing rules of the ASX.

Capital Reduction Resolution means the resolution to be considered at the Ordinary Meeting to approve a selective capital reduction of PCL's issued share capital, in the terms set out in the notice convening the Ordinary Meeting.

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

Conditions means the conditions precedent contained in clause 3.1 of the Implementation Deed.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia, New South Wales registry or such other court of competent jurisdiction under the Corporations Act agreed to in writing by the Bidder and PCL.

Deed Poll means the deed poll substantially in the form of Attachment 1 under which the Bidder and the Bidder Guarantor each covenants in favour of the Ordinary Scheme Shareholders to perform certain obligations attributed to them under the Ordinary Scheme.

Effective when used in relation to the Preference Scheme, means the coming into effect, under section 411(10) of the Corporations Act, of the Court order made under section 411(4)(b) of the Corporations Act in relation to the Preference Scheme.

Effective Date means the date on which this Preference Scheme becomes Effective.

End Date means:

- (a) 31 December 2016; or
- (b) such other date and time agreed in writing between PCL and the Bidder.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, 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, including ASX, ASIC, the Australian Competition and Consumer Commission and any regulatory organisation established under statute.

Implementation Deed means the scheme implementation deed dated 1 July 2016 and amended and restated on 26 August 2016 between PCL, the Bidder and the Bidder Guarantor relating to the implementation of this Preference Scheme and the Ordinary Scheme.

Ineligible Foreign Shareholder means a Preference Scheme Shareholder whose address shown in the Share Register is a place outside Australia and its external territories or New Zealand unless PCL determines that it is lawful and not unduly onerous or impracticable to issue that Preference Scheme Shareholder with PCL Notes when the Preference Scheme becomes Effective.

Noteholder Register means a register of holders of PCL Notes.

Ordinary Meeting means the general meeting of Ordinary Shareholders to be held to consider and, if thought fit, approve various resolutions to give effect to this Preference Scheme and the Ordinary Scheme, as set out in detail in the Scheme Booklet.

Ordinary Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between PCL and the Ordinary Scheme Shareholders as set out in Attachment 2 to the Implementation Deed subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by the Bidder and PCL.

Ordinary Scheme Shareholder means a holder of Ordinary Shares recorded in the Share Register as at the Record Date (other than a Non-Participating Shareholder (which has the meaning given in the Ordinary Scheme)).

Ordinary Scheme Shares means all Ordinary Shares held by the Ordinary Scheme Shareholders as at the Record Date.

Ordinary Share means a fully paid ordinary share in PCL.

PCL Note means an unsecured note with a face value of \$6.50, the terms of which are set out in Annexure A, to be issued by PCL pursuant to the trust deed between PCL and Australian Executors Trustees Limited (ACN 007 869 794) dated 16 September 2016.

PCL Registry means Boardroom Pty Limited of Grosvenor Place Level 12, 225 George Street, Sydney.

Preference Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between PCL and the Preference Scheme Shareholders subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by the Bidder and PCL.

Preference Scheme Consideration has the meaning given in clause 5.1(a).

Preference Scheme Implementation Date means the seventh Business Day after the Record Date or such other day as PCL and the Bidder agree.

Preference Scheme Meeting means the meeting of Preference Scheme Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Preference Scheme Shareholder means a holder of Preference Shares recorded in the Share Register as at the Record Date.

Preference Scheme Shares means all Preference Shares held by the Preference Scheme Shareholders as at the Record Date.

Preference Share means a preference share in PCL issued pursuant to the offer document dated 4 May 2015.

Preference Shareholder means a person who is registered in the Share Register as the holder of a Preference Share.

Record Date means 5.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between PCL and the Bidder.

Registered Address means in relation to a PCL Shareholder, the address shown in the Share Register as at the Record Date.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Scheme Booklet means the scheme booklet published by PCL on 23 September 2016.

Schemes means the Ordinary Scheme and the Preference Scheme.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Preference Scheme is heard.

subsidiary has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

Share Register means the register of members of PCL maintained in accordance with the Corporations Act.

1.2 Interpretation

In this Preference Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Preference 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 Preference 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, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Preference Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (h) a reference to a document (including this Preference 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 unless denominated otherwise;
- (j) a reference to any time is a reference to that time in Sydney;
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Preference Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Preference Scheme will be construed adversely to a party because that party was responsible for the preparation of this Preference Scheme or that provision; and
- (n) a reference to a body, other than a party to this Preference Scheme (including an institute, association or authority), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

1.3 Interpretation of inclusive expressions

Specifying anything in this Preference Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2. Preliminary matters

2.1 PCL

- (a) PCL is a public company limited by shares, registered in New South Wales, Australia.
- (b) PCL is admitted to the official list of the ASX.
- (c) As at the date of the Implementation Deed, PCL's capital structure was as follows:
 - (i) 19,839,827 Preference Shares were on issue; and
 - (ii) 9,905,398 Preference Shares were on issue.

2.2 Consequences of the Preference Scheme becoming Effective

- (a) If this Preference Scheme becomes Effective:
 - (i) PCL must provide or procure the provision of the Preference Scheme Consideration to the Preference Scheme Shareholders in accordance with this Preference Scheme; and
 - (ii) PCL must effect a selective capital reduction of all Preference Shares in accordance with the Capital Reduction Resolution.
- (b) PCL has agreed, by executing the Implementation Deed, to implement this Preference Scheme.

3. Conditions

3.1 Conditions precedent

This Preference Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the Conditions (other than the condition in the Implementation Deed relating to Court approval of the Schemes) 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 Preference Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable and agreed to by the Bidder and PCL;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Preference Scheme as are acceptable to the Bidder and PCL having been satisfied or waived;
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Preference Scheme coming into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date; and

- (f) all the conditions in clause 3.1 of the Ordinary Scheme (other than the condition relating to the implementation of this Preference Scheme) having been satisfied or waived in accordance with the terms of the Ordinary Scheme.

3.2 **Certificate**

- (a) PCL 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 its 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 Preference 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 PCL and the Bidder otherwise agree in writing.

4. **Implementation of the Scheme**

4.1 **Lodgement of Court orders with ASIC**

PCL will lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court orders approving this Preference Scheme as soon as practicable and in any event by no later than 10.00am on the first Business Day after the day on which the Court approves the Preference Scheme.

4.2 **Cancellation of Scheme Shares**

On the Preference Scheme Implementation Date, subject to the provision of the Preference Scheme Consideration in the manner contemplated by clause 5, each Preference Scheme Shareholder authorises and directs PCL to, and PCL must effect a selective capital reduction of all Preference Shares in accordance with the Capital Reduction Resolution.

5. **Preference Scheme Consideration**

5.1 **Entitlement to Preference Scheme Consideration**

Subject to the terms of this Preference Scheme, each Preference Scheme Shareholder will for each Preference Scheme Share held be entitled to (the **Preference Scheme Consideration**):

- (a) for a Preference Scheme Shareholder (other than an Ineligible Foreign Shareholder), the cash component calculated in accordance with clause 5.2 and one PCL Note; and
- (b) for an Ineligible Foreign Shareholder, the cash component calculated in accordance with clause 5.2 plus a cash amount equal to the face value of the PCL Note.

5.2 Calculation of cash component of Preference Scheme Consideration

The cash component of the Preference Scheme Consideration will be calculated as follows:

$$CC = \$1.00 + (DR \times \$7.50 \times D / 365)$$

Where:

- CC is the cash component of the Preference Scheme Consideration.
- DR is the Dividend Rate applicable in the Dividend Period beginning on the last Dividend Payment Date prior to the Preference Scheme Implementation Date (**Prior DP Date**).
- D is the number of days in the period commencing on (and including) the Prior DP Date and expiring on (but excluding) the Preference Scheme Implementation Date.
- Dividend Rate, Dividend Period and Dividend Payment Date have the meaning given in the terms of issue of the Preference Shares set out in the offer document dated 4 May 2015.

5.3 Provision of Preference Scheme Consideration

- (a) PCL must, by no later than the Business Day before the Preference Scheme Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the cash component of the Preference Scheme Consideration payable to each Preference Scheme Shareholder, in an Australian dollar denominated trust account operated by PCL as trustee for the Preference Scheme Shareholders, (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to PCL's account).
- (b) On the Preference Scheme Implementation Date, subject to funds having been deposited in accordance with clause 5.3(a), PCL must pay or procure the payment, from the trust account referred to in clause 5.3(a), to each Preference Scheme Shareholder the cash component of the Preference Scheme Consideration as that Preference Scheme Shareholder is entitled under this clause 5.
- (c) The obligations of PCL under clause 5.3(b) will be satisfied by PCL (in its absolute discretion):
 - (i) where a Preference Scheme Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the PCL Registry to receive dividend payments from PCL by electronic funds transfer to a bank account nominated by the Preference Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) otherwise, whether or not the Preference Scheme Shareholder has made an election referred to in clause 5.3(c)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Preference Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Preference Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.5).

- (d) To the extent that, following satisfaction of PCL's obligations under clause 5.3(b), there is surplus in the amount held by PCL as trustee for the Preference Scheme Shareholders in the trust account referred to in clause 5.3(b), that surplus amount shall be payable to PCL.

5.4 Provision of PCL Notes

PCL must, subject to clauses 5.5 and 5.6:

- (a) on the Preference Scheme Implementation Date, issue to each Preference Scheme Shareholder, one PCL Note for each Preference Share held by that Preference Scheme Shareholder at the Record Date and enter the name and address of each such Preference Scheme Shareholder in the Noteholder Register in respect of those PCL Notes; and
- (b) ensure that each such PCL Note is duly and validly issued in accordance with all applicable laws and free from any mortgage, charge, lien, encumbrance or other security interest; and
- (c) on or before the date that is two Business Days after the Preference Scheme Implementation Date, send a holding statement (or equivalent document) to the Registered Address of each Preference Scheme Shareholder to whom PCL Notes are issued in accordance with clause 5.4(a) representing the number of PCL Notes issued to that Preference Scheme Shareholder pursuant to this Preference Scheme.

5.5 Joint holders

In the case of Preference Scheme Shares held in joint names:

- (a) the cash proportion of the Preference Scheme Consideration is payable to the joint holders and:
 - (i) any electronic funds transfer required to be made under this Preference Scheme will be made to the bank account nominated to the PCL Registry in accordance with clause 5.3(c)(i); and
 - (ii) any cheque required to be sent under this Preference Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Share Register as at the Record Date;
- (b) the PCL Notes to be issued under the Preference Scheme must be issued to, and registered in the names of, the joint holders; and
- (c) any other document required to be sent under this Preference Scheme will be forwarded to the holder whose name appears first in the Share Register as at the Record Date.

5.6 Ineligible Foreign Shareholders

PCL will be under no obligation to issue, and must not issue, any PCL Notes under this Preference Scheme to any Ineligible Foreign Shareholder, and instead, must pay the Preference Scheme Consideration specified in clause 5.1(b) to each Ineligible Foreign Shareholder.

5.7 Unclaimed monies

- (a) PCL may cancel a cheque issued under this clause 5 if the cheque:

- (i) is returned to PCL; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Preference Scheme Implementation Date, on request from a Preference Scheme Shareholder (which request may not be made until the date which is 20 Business Days after the Preference Scheme Implementation Date), PCL must reissue a cheque that was previously cancelled under this clause 5.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Preference Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

5.8 Orders of a court or Government Agency

If written notice is given to PCL (or the PCL Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires payment to a third party of a sum in respect of Preference Scheme Shares held by a particular Preference Scheme Shareholder, which would otherwise be payable to that Preference Scheme Shareholder by PCL in accordance with this clause 5, then PCL shall be entitled to make that payment (or procure that payment is made) in accordance with that order; or
- (b) prevents PCL from making a payment by PCL to any particular Preference Scheme Shareholder in accordance with clause 5.3(c), or such payment is otherwise prohibited by applicable law, PCL shall be entitled to:
 - (i) retain an amount, in Australian dollars, equal to the cash component of the Preference Scheme Consideration to which the Preference Scheme Shareholder would otherwise be entitled under this clause 5; and
 - (ii) not issue, or to issue to a trustee or nominee, such number of PCL Notes as that Preference Scheme Shareholder would otherwise be entitled to under this clause 5,

until such time as provision of the Preference Scheme Consideration in accordance with this clause 5 is permitted by that order or otherwise by law.

6. Dealings in Preference Shares

6.1 Determination of Preference Scheme Shareholders

To establish the identity of the Preference Scheme Shareholders, dealings in Preference Shares or other alterations to the Share Register will only be recognised if registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Record Date at the place where the Share Register is kept and PCL must not accept for registration, nor recognise for any purpose 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) PCL must register registrable transmission applications or transfers of the Preference Scheme Shares in accordance with clause 6.1 before the Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires

PCL to register a transfer that would result in an Preference Shareholder holding a parcel of Preference Shares that is less than a 'marketable parcel' (as defined in the Operating Rules of the ASX).

- (b) If the Preference Scheme becomes Effective, a holder of Preference Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of, any Preference Scheme Shares or any interest in them after the Record Date otherwise than pursuant to this Preference Scheme, and any attempt to do so will have no effect and PCL shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Preference Scheme Consideration, PCL must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Preference Scheme Consideration has been paid to the Preference Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Preference Scheme Consideration.
- (d) All statements of holding for Preference Shares will cease to have effect after the Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Preference Scheme Consideration in respect of the Preference Shares relating to that entry.
- (e) As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, PCL will ensure that details of the names, Registered Addresses and holdings of Preference Shares for each Preference Scheme Shareholder as shown in the Share Register are available to the Bidder in the form the Bidder reasonably requires.

7. General Scheme provisions

7.1 Consent to amendments to the Preference Scheme

If the Court proposes to approve the Preference Scheme subject to any alterations or conditions:

- (a) PCL may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which the Bidder has consented; and
- (b) each Preference Scheme Shareholder agrees to any such alterations or conditions which counsel for PCL has consented to.

7.2 Preference Scheme Shareholders' agreements

Each Preference Scheme Shareholder irrevocably:

- (a) agrees to the cancellation of their Preference Shares together with all rights and entitlements attaching to those Preference Shares in accordance with this Preference Scheme and the Capital Reduction Resolution;
- (b) agrees to the variation, cancellation or modification (if any) of the rights attached to their Preference Shares constituted by or resulting from this Preference Scheme; and
- (c) acknowledges that this Preference Scheme binds PCL and all Preference Scheme Shareholders (including those who do not attend the Preference Scheme Meeting or those who do not vote, or vote against this Preference Scheme, at the Preference Scheme Meeting).

7.3 Authority given to PCL

- (a) On the Preference Scheme Implementation Date, each Preference Scheme Shareholder, without the need for any further act, irrevocably appoints PCL 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 Preference Scheme and the transactions contemplated by it.
- (b) PCL accepts each such appointment made under this clause 7.3.
- (c) PCL as attorney and agent of each Preference Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 7.3 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

7.4 Binding effect of Preference Scheme

This Preference Scheme binds PCL and all of the Preference Scheme Shareholders (including those who did not attend the meeting of Preference Shareholders to vote on this Preference Scheme, did not vote at that meeting, or voted against this Preference Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of PCL.

8. General

8.1 Stamp duty

PCL will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Preference Scheme and each transaction effected by or made under this Preference Scheme; and
- (b) indemnify each Preference Scheme Shareholder against any liability arising from failure to comply with clause 8.1(a).

8.2 Consent

Each of the Preference Scheme Shareholders consents to PCL doing all things necessary or incidental to the implementation of this Preference Scheme, whether on behalf of the Preference Scheme Shareholders, PCL or otherwise.

8.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Preference Scheme is sent by post to PCL, 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 PCL's registered office or at the office of the PCL Registry.
- (b) The accidental omission to give notice of the Preference Scheme Meeting or the non-receipt of such notice by a Preference Shareholder will not, unless so ordered by the Court, invalidate the Preference Scheme Meeting or the proceedings of the Preference Scheme Meeting.

8.4 Governing law

- (a) The Preference 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, and courts of appeal from them in respect of any proceedings arising out of or in connection with this Preference 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.

8.5 **Further action**

PCL must do all things and execute all documents necessary to give full effect to this Preference Scheme and the transactions contemplated by it.

Annexure A – Terms of PCL Note

Annexure F Terms of the PCL Notes

Schedule 1

Terms of Notes

1. Note Issue

1.1 Terms

The Notes will each:

- (a) have a face value representing a principal amount of \$6.50;
- (b) bear interest as set out in Term 2;
- (c) be unsecured as set out in Term 3;
- (d) be redeemed in accordance with Term 4 and Term 5; and
- (e) rank equally with each other.

1.2 Withholding Tax

- (a) All payments or credits to, or to the account of Noteholders (including payment of, and credits in respect of interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Issuer except to the extent that the Issuer is satisfied that the Noteholder is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Noteholder claiming any such exemption or to be such a person shall provide the Issuer with such evidence as the Issuer may from time to time require to satisfy itself as to the validity of such claim.
- (b) The Issuer may make any deduction or withholding from any amount payable to a Noteholder in respect of Notes for or on account of withholding or other tax required by law to be deducted or withheld, and, where any such deduction or withholding has been made and the amount thereof accounted for by the Issuer to the Commissioner of Taxation or other appropriate taxing authority and the balance of the amount payable has been paid to the Noteholder concerned, the full amount payable to such Noteholder shall be deemed to have been duly paid and satisfied by the Issuer.

1.3 Entry in Register

The Issuer must ensure that each Noteholder's details are entered in the Register.

2. Interest

2.1 Interest

Interest shall be payable on the Principal Amount of the Note at the rate of 7.5% per annum. Interest shall accrue from day to day prior to the date of redemption of the Note and will be payable or capitalised in arrears on the Interest Payment Dates on the Principal Amount of all Notes. If any Interest Payment Date is not a Business Day, interest payable shall be paid on the next succeeding Business Day.

2.2 Capitalisation of Interest

For the purposes of Term 2.1, the Issuer may elect to capitalise Interest payable on any Interest Payment Date, except an Interest Payment Date on which a Note must be redeemed in accordance with these Terms, by giving Noteholders written notice of this election not less than 7 days before the relevant Interest Payment Date.

3. Unsecured

All Notes are issued as unsecured notes and on the condition that the liabilities of the Issuer to Noteholders and to the Trustee in respect of the Notes will, subject to Clause 8.5, all rank pari passu with all other unsecured creditors of the Issuer.

4. Redemption

4.1 Redemption on the Maturity Date

Notes not previously redeemed must be redeemed by the Issuer on the Maturity Date.

4.2 Payment on Redemption under Term 5

- (a) Where a Note is redeemed or required to be redeemed on a date which is the last day of a Quarter the Issuer shall deliver to the Noteholder on that day a cheque or draft in favour of the Noteholder or such other person as the Noteholder shall have directed the Issuer in writing, for the Redemption Amount plus the amount of the interest accrued and unpaid as at the date of redemption, including during the Quarter ending on the date of redemption.
- (b) Where a Note is redeemed or required to be redeemed on a date which is not the last day of a Quarter, the Issuer shall deliver to the Noteholder on that day a cheque or draft in favour of the Noteholder or such other person as the Noteholder shall have directed the Issuer in writing, for the Redemption Amount plus the amount of interest calculated in accordance with the following formula:

$$R = \left(\frac{I}{MP} \times N \right)$$

Where:

R = the amount of interest to be added to the Redemption Amount;

I = the total amount of interest which would have been payable to that Noteholder in respect of the Note had the Noteholder held the Note on the date which is the last day of the Quarter in which redemption occurs (**Notional Interest Payment Date**);

MP = the number of days commencing on the Interest Payment Date which immediately preceded the Notional Interest Payment Date and ending on the day before the Notional Interest Payment Date; and

N = the number of days from the Interest Payment Date immediately preceding the date of redemption to but not including the date of redemption.

5. Election to redeem early

5.1 Redemption Notice

- (a) Subject to Term 5.2 each Note is redeemable by:
 - (i) the Noteholder giving the Issuer written notice in the form set out in Schedule 2 or in such other form as the Issuer may accept; or
 - (ii) the Issuer giving to the Noteholder written notice in the form set out in Schedule 3 or in such other form as is determined by the Issuer,(each a **Redemption Notice**).

- (b) A Redemption Notice may only be given by a Noteholder under Term 5.1(a)(i) during the 14 day period following the date of a Trigger Notice and the redemption date for the Notes the subject of that Redemption Notice is a Business Day not more than 28 days after the date of the Trigger Notice;
- (c) A Redemption Notice may only be given by the Issuer under Term 5.1(a)(ii) during the period between 28 and 7 days prior to any Interest Payment Date and the redemption date for the Notes the subject of that Redemption Notice is the Interest Payment Date immediately following the date of the Redemption Notice.

5.2 Limit on redemption

- (a) Notwithstanding Term 5.1(a)(i), the directors of the Issuer may determine in the best interests of the Issuer that the Issuer is only able to redeem a number of Notes which is less than the aggregate number of Notes which is the subject of all Redemption Notices (**Lesser Number**) and in such case, the Issuer must redeem such Lesser Number pro-rata as between Noteholders giving Redemption Notices in accordance with the aggregate Principal Amount of the Notes the subject of the Redemption Notice given by each such Noteholder.
- (b) Notwithstanding Term 5.1(a)(ii), unless the Issuer is redeeming all Notes, the Issuer must redeem the Notes pro-rata as between Noteholders in accordance with the aggregate Principal Amount of the Notes held by each Noteholder.

6. Participation in issue of securities and capital reorganisations

The Notes carry no right:

- (a) to participate in any issue or offer of securities to the holders of shares or other securities of the Issuer; or
- (b) to be reconstructed or re-organised by reference to any reconstruction or re-organisation of the capital of the Issuer.

7. Foreign Holders

Where Notes are held by or on behalf of a person resident outside Australia, then, but despite any other terms or conditions applicable to such Notes, it shall be a condition precedent to the right of the Noteholder to receive payment of any amount payable under this Schedule 1 that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Noteholder in respect of such payment are satisfied so that such payment will not result in a breach of any such applicable law by the Issuer.

8. Registration of Transfers

8.1 Transfer

Subject to the terms of the Trust Deed, the Noteholder may transfer all or any of the Notes that it holds by an instrument in writing in any usual form or in any other form that the directors of the Issuer approve.

8.2 Transfer process

In relation to all transfers of Notes the transfer form must be:

- (a) lodged at the Specified Office together with payment of any stamp duty, taxes or other governmental charges payable thereon; and

- (b) accompanied by such evidence as the Issuer may require to prove the title and identity of the transferor and the transferee, the right of entitlement of the transferee to receive a transfer of the relevant Note, the due execution of the transfer form and the due compliance and observance with all applicable laws and regulations of the Commonwealth of Australia and each State and Territory thereof.

8.3 Recording transfers

The Issuer shall promptly upon being satisfied with the transfer form, the information lodged therewith, the identity of the transferor and the transferee and the due compliance with such reasonable regulations as the Issuer and the Trustee may determine from time to time, accept the application contained in the transfer form by making an inscription in the Register recording the transfer of the relevant Note.

8.4 Registration

On the inscription being made in the Register, the Issuer and the Trustee shall recognise the transferee as the registered owner of the relevant Note and as being entitled to the repayment of the Principal Amount and the payment of all interest in respect thereof and to all other rights vested in Noteholders under the Deed. The transferor shall for all purposes be and be deemed to be the registered owner of the relevant Note until an inscription is made in the Register recording the transfer, the name and address of the transferee and the other matters required to be entered into the Register by the Issuer from time to time.

8.5 Administration

- (a) The Issuer shall register the transfer of a Note notwithstanding that the transfer form to which the transfer relates has not been marked by the Issuer or the Registrar.
- (b) The Issuer shall procure that all transfer forms which are registered shall be retained by the Issuer for a period of 7 years after receipt but any transfer form which the Issuer declines to register shall (except in the case of fraud or suspected fraud) be returned on demand to the person depositing the same.
- (c) The Issuer shall not register the transfer of a Note on or after its Maturity Date.

8.6 Availability of Transfer Forms

Transfer forms will be available from the Issuer.

8.7 Directions

- (a) Subject to the Trust Deed, and any conditions proposed by the Issuer at the time the Notes are issued and any notations on the Register, the Issuer will comply with any payment or distribution direction made by a transferee:
 - (i) in an application for transfer of Notes on and from the time of registration of that transfer; and
 - (ii) at any subsequent time in such form as the Issuer shall from time to time determine.
- (b) A direction from any one or more joint holders of a Note shall bind all the joint holders. If more than one direction is received from joint holders of a Note the direction of the senior is to be accepted to the exclusion of the other directions and for this purpose seniority is determined by the order in which the names appear in the Register of Noteholders in respect of the joint holding.

8.8 Transmission

Subject to Term 8.1 a person becoming entitled to Notes as a consequence of the death or bankruptcy of a Noteholder or of a vesting order or a person administering the estate of a Noteholder may, upon producing such evidence as to that entitlement or status as the Registrar consider sufficient, transfer the Notes of that Noteholder or, if so entitled, become registered as the holder of the Notes.

8.9 No Registration Fee

Transfers will be inscribed in the Register without charge provided taxes or other governmental charges (if any) imposed in relation to the transfer have been paid.

8.10 Non-Registration of Third Party Interests

Notes will be registered by name only without reference to any trusteeships. Any entry in the Register of the name and address of a Noteholder and the amount owed to that Noteholder is conclusive evidence of title subject to rectification for fraud or error.

8.11 Person registered

The person registered as a Noteholder of an amount of Notes shall be treated by the Issuer and the Registrar as the absolute owner of that amount of Notes. Neither the Issuer, the Trustee nor the Registrar shall, except as ordered by a Court or as required by statute, be obliged to take notice of any claim to a Note. Entry in the Register of the name and address of a Noteholder and the number of Notes held by that Noteholder is conclusive evidence of title subject to rectification for fraud or error.

Annexure G Notice of Ordinary Scheme Meeting

Notice of Ordinary Scheme Meeting

PAYCE Consolidated Limited ACN 001 566 583

Notice of Court Ordered Meeting of holders of ordinary shares

Notice is given that, by an order of the Federal Court of Australia (**Court**) made on 23 September 2016 under section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**), the Court has directed that a meeting of the holders of ordinary shares in PAYCE Consolidated Limited (ACN 001 566 583) (**PCL**) (other than Excluded Shareholders) is to be held:

on 31 October 2016;

at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127,

commencing at 10.30am (**Ordinary Scheme Meeting**).

The Court has directed that Chris Gabriel or failing him Brian Bailison will act as chair of the meeting (**Chairman**) and has directed the chair to report the result of the meeting to the Court.

Shareholders entitled to attend the Ordinary Scheme Meeting may attend in person at the venue specified above or by proxy by completing the blue Proxy Form as described below in the section headed "Notes in relation to voting".

Unless the context otherwise requires, capitalised terms used in this Notice of Ordinary Scheme Meeting have the meanings given to them in the Explanatory Booklet of which this notice forms part.

Purpose of the Meeting

The purpose of the Ordinary Scheme Meeting is to consider, and if thought fit, to agree to a scheme of arrangement (with or without modification as approved by the Court) proposed to be made between PCL and the holders of its ordinary shares. A copy of the Ordinary Scheme and a copy of the explanatory memorandum required by section 412 of the Corporations Act in relation to the Ordinary Scheme are contained in the Explanatory Booklet of which this notice forms part.

The Ordinary Scheme will not be implemented unless the Preference Scheme is implemented. The Preference Scheme and the Ordinary Scheme will only become effective and be implemented if all the resolutions put to the General Meeting and General Meeting of Preference Shareholders are also approved.

Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution:

Ordinary Scheme Resolution:

"That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between PCL and the holders of its ordinary shares (other than Bellawest and Lanox Pty Limited (ACN 077 164 884)) (**Ordinary Scheme**), as contained in and more particularly described in the Explanatory Booklet of which this notice of meeting forms part, is approved, with or without modification approved by the Federal Court of Australia"

Majority required:

In accordance with section 411(4)(a) of the Corporations Act, the resolution to approve the Ordinary Scheme must be approved by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Voting Shareholders present and voting (whether in person, by proxy, attorney or, in the case of holders or proxies which are bodies corporate, by corporate representative); and

(b) at least 75% of the votes which are cast by Voting Shareholders.

The Excluded Shareholders will not vote on the Ordinary Scheme Resolution. The vote will be conducted by poll.

**Voting exclusions
(Excluded
Shareholders):**

Excluded Shareholders are Bellawest and any Bellawest Associate (Lanox Pty Limited ACN 077 164 884 (**Lanox**), Ruz Pty Ltd ACN 109 273 305 (**Ruz**), any director of any member of the Bellawest Group, and any other Shareholder which is a member of the Bellawest Group or which holds a Share on behalf of or for the benefit of Bellawest, any Bellawest Group member or director, Lanox or Ruz).

By order of the Court and the Independent Directors

Payce Consolidated Limited

Date

23 September 2016

Signed

A handwritten signature in black ink, appearing to read 'Brian Bailison', with a stylized flourish at the end.

Brian Bailison
Company Secretary

Notes in relation to voting

Material accompanying this notice

This Notice of Ordinary Scheme Meeting should be read in conjunction with the Explanatory Booklet. Terms used in this Notice of Ordinary Scheme Meeting, unless otherwise defined, have the same meaning as set out in the glossary in section 20 of the Explanatory Booklet.

A blue Proxy Form also accompanies this notice.

Quorum for the Ordinary Scheme Meeting

Pursuant to the Constitution, the quorum for the Ordinary Scheme Meeting is three ordinary shareholders present at the meeting and entitled to vote on a resolution at the meeting.

Eligibility to vote

An ordinary shareholder (other than an Excluded Shareholder) (**Voting Shareholder**) will be entitled to vote at the Ordinary Scheme Meeting if they are recorded in the Register as a holder of Ordinary Shares as at 7.00pm on 29 October 2016.

How to vote

If you are a Voting Shareholder entitled to attend and vote at the Ordinary Scheme Meeting, you may vote by:

- (a) appointing a proxy to attend on your behalf;
- (b) appointing an attorney to vote on your behalf;
- (c) attending the Ordinary Scheme Meeting in person; or
- (d) in the case of a corporation which is a Voting Shareholder, by appointing an authorised corporate representative to attend on its behalf.

Jointly held securities

If Shares are jointly held, each of the joint shareholders is entitled to vote (provided that those shareholders are Voting Shareholders). However, if more than one shareholder votes in respect of jointly held Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

Voting in person

If you are proposing to attend the meeting and vote, there is no need for you to complete a blue Proxy Form.

Voting by corporate representative – corporate shareholders

Body corporate Voting Shareholders may appoint an individual as a representative to exercise all the powers of the body corporate at the Ordinary Scheme Meeting. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. If you are attending as a corporate representative, please bring evidence of your appointment, including any authority under which the appointment was made (unless a standing appointment has previously been made and provided to PCL).

Voting by proxy

If you are a Voting Shareholder and are not attending the Ordinary Scheme Meeting and you wish to vote on the Ordinary Scheme Resolution you must complete and lodge the enclosed blue Proxy Form. Any Voting Shareholder entitled to attend and vote at the meeting is entitled to appoint one or two proxies to attend and vote on their behalf. If two proxies are appointed, the Voting Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If two proxies are appointed and no proportion or number is specified, each proxy may exercise half of the votes. A proxy need not be a Shareholder. The Proxy Form contains voting instructions and other important information which you should read carefully.

Time for return of Proxy Forms

The Constitution prescribes that PCL must receive Proxy Forms (duly completed and with any necessary documentation) at least 48 hours prior to the Meeting, that is, by 10.30am on 29 October 2016. For an appointment of proxy to be effective, Proxy Forms and, if applicable, the power of attorney (or a certified copy of the power of attorney) under which they are signed must be lodged with PCL's share registry, Boardroom Pty Limited, at:

Postal Address:	GPO Box 3993 Sydney NSW 2001 Australia	Street Address:	Level 12, 225 George Street Sydney NSW 2000 Australia
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Fax No:	+ 61 2 9290 9655	Online:	www.votingonline.com.au/payordscheme2016
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Signing of Proxy Forms

Proxy Forms must be duly signed by a Voting Shareholder or the Voting Shareholder's attorney. If the Voting Shareholder is a body corporate, the Proxy Form must be signed by two directors or by a director and secretary, or if the Voting Shareholder is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer.

Proxy Forms signed under power of attorney

If a Proxy Form is signed by a Voting Shareholder's attorney, the Constitution requires that the power of attorney or a certified copy thereof must also be received at least 48 hours prior to the Ordinary Scheme Meeting at which it is to be exercised, that is, by 10.30am on 29 October 2016.

Undirected proxies

Any directed proxies that are not voted on a poll at the Ordinary Scheme Meeting by a Voting Shareholder's appointed proxy will automatically default to the Chairman, who is required to vote proxies as directed on a poll.

The Chairman intends to vote all available proxies in favour of the Ordinary Scheme Resolution.

Advertisement

Where this Notice of Ordinary Scheme Meeting is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to attend the Ordinary Scheme Meeting from the ASX website (www.asx.com.au) (trading symbol on the ASX is "PAY"), PCL's website (www.payce.com.au) or by contacting Boardroom on 1300 737 760.

Annexure H Notice of General Meeting

Notice of General Meeting

PAYCE Consolidated Limited ACN 001 566 583

Notice of General Meeting

PAYCE Consolidated Limited ACN 001 566 583 (**PCL**) gives notice (**Notice** or **Notice of Meeting**) that a meeting of the shareholders of PCL will be held:

on 31 October 2016

at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127,

commencing at 10.45am, or as soon as reasonably practicable after the conclusion of the Ordinary Scheme Meeting (**General Meeting**).

Shareholders entitled to attend the General Meeting may attend the General Meeting in person at the venue specified above or by proxy by completing the yellow Proxy Form as described below in the section headed "Notes in relation to voting".

Unless the context otherwise requires, capitalised terms used in this Notice of Meeting have the meanings given to them in the Explanatory Booklet of which this Notice forms part.

Purpose of Meeting

The General Meeting is a general meeting of PCL to consider two resolutions connected with the Ordinary Scheme and the Preference Scheme (each a **Resolution**).

The first Resolution is for the purpose of approving financial assistance by Payce Finance to Bellawest in respect of the acquisition by Bellawest of the ordinary shares in PCL under the Ordinary Scheme. Holders of ordinary shares in PCL, other than Excluded Shareholders, are entitled to vote on this Resolution, regardless of whether they also hold Preference Shares.

The second Resolution is for the purpose of approving the capital reduction necessary to implement the Preference Scheme. All Shareholders, other than Excluded Shareholders, are entitled to vote in respect of the resolution but any vote in favour of the resolution cast by the holder of a Preference Share or any Associate of a holder of a Preference Share will be disregarded.

Both the Resolutions must be passed if the Ordinary Scheme and the Preference Scheme are to be implemented.

Resolutions

The business of the General Meeting is to consider, and if thought fit, pass the following Resolutions:

Resolution 1: Financial Assistance Resolution

To consider, and if thought fit, to pass the following as a special resolution, with or without amendment:

"That for the purposes of section 260A(1) and section 260B(2) of the Corporations Act and for all other purposes, the members of PCL approve:

- (a) the financial assistance to be given to Bellawest to acquire the ordinary shares of PCL pursuant to the Ordinary Scheme constituted by the loan from Payce Finance to Bellawest on the terms set out in the Loan Agreement as described in the Explanatory Booklet of which this Notice forms part including, without limitation, any refinancing of the Loan and any amendment, restatement or replacement of any documentation of the Loan; and
 - (b) Payce Finance giving effect to the Loan and otherwise providing the financial assistance as described in the Explanatory Booklet of
-

which this Notice forms part.”

Majority required: A special resolution will be passed if approved by at least 75% of the votes cast by Voting Shareholders present and entitled to vote on the resolution (whether in person, by proxy, attorney, or in the case of holders or proxies which are bodies corporate, by corporate representative).

Voting exclusions (Excluded Shareholders): Excluded Shareholders are Bellawest and any Bellawest Associate (Lanox Pty Limited ACN 077 164 884 (**Lanox**), Ruz Pty Ltd ACN 109 273 305 (**Ruz**), any director of any member of the Bellawest Group, and any other Shareholder which is a member of the Bellawest Group or which holds a Share on behalf of or for the benefit of Bellawest, any Bellawest Group member or director, Lanox or Ruz).

Resolution 2: Capital Reduction Resolution

To consider, and if thought fit, to pass the following as a special resolution, with or without amendment:

“That, subject to the approval of the Preference Scheme by the Court, for the purposes of section 256C(2)(b) of the Corporations Act and for all other purposes, the issued capital of PCL be reduced by cancellation of all the Preference Scheme Shares, being 9,905,398 Preference Shares in the capital of PCL.”

Majority required: A special resolution will be passed if approved by at least 75% of the votes cast by Voting Shareholders present and entitled to vote on the resolution (whether in person, by proxy, attorney, or in the case of holders or proxies which are bodies corporate, by corporate representative).

Voting exclusions (Excluded Shareholders): Excluded Shareholders are Bellawest and any Bellawest Associate (Lanox, Ruz, any director of any member of the Bellawest Group, and any other Shareholder which is a member of the Bellawest Group or which holds a Share on behalf of or for the benefit of Bellawest, any Bellawest Group member or director, Lanox or Ruz).

A vote cast in favour of the resolution by a holder of Preference Shares or any Associate of a holder of Preference Shares will be disregarded. A vote cast against the resolution by a holder of Preference Shares will be counted.

By order of the Independent Directors

Date 23 September 2016

Signed



Brian Bailison
Company Secretary

Notes in relation to voting

Material accompanying this notice

This Notice of General Meeting should be read in conjunction with the Explanatory Booklet. Terms used in this Notice of General Meeting, unless otherwise defined, have the same meaning as set out in the glossary in section 20 of the Explanatory Booklet.

A yellow Proxy Form also accompanies this notice.

Quorum for the General Meeting

Pursuant to the Constitution, the quorum for the General Meeting is three shareholders present at the meeting and entitled to vote on a resolution at the meeting.

Eligibility to vote

A Shareholder (other than an Excluded Shareholder) (**Voting Shareholder**) will be entitled to vote at the General Meeting if they are recorded on the Register as a holder of Shares as at 7.00pm on 29 October 2016.

How to vote

If you are a Voting Shareholder entitled to attend and vote at the General Meeting, you may vote by:

- (a) appointing a proxy to attend on your behalf;
- (b) appointing an attorney to vote on your behalf;
- (c) attending the General Meeting in person; or
- (d) in the case of a corporation which is a Voting Shareholder, by appointing an authorised corporate representative to attend on its behalf.

Jointly held securities

If Shares are jointly held, each of the joint shareholders is entitled to vote (provided that those shareholders are Voting Shareholders). However, if more than one shareholder votes in respect of jointly held Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

Voting in person

If you are proposing to attend the meeting and vote, there is no need for you to complete a yellow Proxy Form.

Voting by corporate representative – corporate shareholders

Body corporate Voting Shareholders may appoint an individual as a representative to exercise all the powers of the body corporate at the General Meeting. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. If you are attending as a corporate representative, please bring evidence of your appointment, including any authority under which the appointment was made (unless a standing appointment has previously been made and provided to PCL).

Voting by proxy

If you are a Voting Shareholder and are not attending the General Meeting and you wish to vote on the Resolutions you must complete and lodge the enclosed yellow Proxy Form. Any Voting Shareholder entitled to attend and vote at the meeting is entitled to appoint one or two proxies to attend and vote on their behalf. If two proxies are appointed, the shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If two proxies are appointed and no proportion or number is specified, each proxy may exercise half of the votes. A proxy need not be a Shareholder. The Proxy Form contains voting instructions and other important information which you should read carefully.

Time for return of Proxy Forms

The Constitution prescribes that PCL must receive Proxy Forms (duly completed and with any necessary documentation) at least 48 hours prior to the Meeting, that is, by 10.45am on 29 October 2016.

For an appointment of proxy to be effective, Proxy Forms and, if applicable, the power of attorney (or a certified copy of the power of attorney) under which they are signed must be lodged with PCL's share registry, Boardroom Pty Limited, at:

Postal Address: GPO Box 3993
Sydney NSW 2001
Australia

Street Address: Level 12, 225 George Street
Sydney NSW 2000
Australia

Fax No: + 61 2 9290 9655

Online: www.votingonline.com.au/paygm2016

Signing of Proxy Forms

Proxy Forms must be duly signed by a Voting Shareholder or the Voting Shareholder's attorney. If the Voting Shareholder is a body corporate, the Proxy Form must be signed by two directors or by a director and secretary, or if the Voting Shareholder is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer.

Proxy Forms signed under power of attorney

If a Proxy Form is signed by a Voting Shareholder's attorney, the Constitution requires that the power of attorney or a certified copy thereof must also be received at least 48 hours prior to the General Meeting at which it is to be exercised, that is, by 10.45am on 29 October 2016.

Undirected proxies

Any directed proxies that are not voted on a poll at the General Meeting by a Voting Shareholder's appointed proxy will automatically default to the Chairman, who is required to vote proxies as directed on a poll.

The Chairman intends:

- (a) to vote all available proxies in favour of the Financial Assistance Resolution;
- (b) to vote all available proxies from Ordinary Shareholders who do not hold any Preference Shares and who are not Associates of a holder of Preference Shares in favour of the Capital Reduction Resolution; and
- (c) to abstain from voting all available proxies from Ordinary Shareholders who also hold Preference Shares or who are Associates of a holder of Preference Shares in respect of the Capital Reduction Resolution.

Advertisement

Where this Notice is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to attend the Preference General Meeting from the ASX website (www.asx.com.au) (trading symbol on the ASX is "PAY"), PCL's website (www.payce.com.au) or by contacting Boardroom on 1300 737 760.

Annexure I Notice of Preference Scheme Meeting

Notice of Preference Scheme Meeting

PAYCE Consolidated Limited ACN 001 566 583

Notice of Court Ordered Meeting of holders of Preference Shares

Notice is given that, by an order of the Federal Court of Australia (**Court**) made on 23 September 2016 under section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**), the Court has directed that a meeting of the holders of Preference Shares in PAYCE Consolidated Limited (ACN 001 566 583) (**PCL**) (other than Excluded Shareholders) is to be held:

on 31 October 2016;

at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127,

commencing at 11.00am, or as soon as reasonably practicable after the conclusion of the General Meeting (**Preference Scheme Meeting**).

The Court has directed that Chris Gabriel or failing him Brian Bailison will act as chair of the meeting (**Chairman**) and has directed the chair to report the result of the meeting to the Court.

Shareholders entitled to attend the Preference Scheme Meeting may attend in person at the venue specified above or by proxy by completing the green Proxy Form as described below in the section headed "Notes in relation to voting".

Unless the context otherwise requires, capitalised terms used in this Notice of Preference Scheme Meeting have the meanings given to them in the Explanatory Booklet of which this notice forms part.

Purpose of the Meeting

The purpose of the Preference Scheme Meeting is to consider, and if thought fit, to agree to a scheme of arrangement (with or without modification as approved by the Court) proposed to be made between PCL and the holders of its Preference Shares under which all the Preference Shares will be cancelled. A copy of the Preference Scheme and a copy of the explanatory memorandum required by section 412 of the Corporations Act in relation to the Preference Scheme are contained in the Explanatory Booklet of which this Notice forms part.

The Preference Scheme will not be implemented unless the Ordinary Scheme is approved and becomes effective. The Preference Scheme and the Ordinary Scheme will only become effective and be implemented if all the resolutions put to the Preference General Meeting and General Meeting are also approved.

Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution:

Preference Scheme Resolution:	"That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between PCL and the holders of its Preference Shares (Preference Scheme), as contained in and more particularly described in the Explanatory Booklet of which this notice of meeting forms part, is approved, with or without modification approved by the Federal Court of Australia."
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Majority required:	In accordance with section 411(4)(a) of the Corporations Act, the resolution to approve the Preference Scheme must be approved by: (a) unless the Court orders otherwise, a majority in number (more than 50%) of Voting Shareholders present and voting (whether in person, by proxy, attorney or, in the case of holders or proxies
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which are bodies corporate, by corporate representative); and

(b) at least 75% of the votes which are cast by Voting Shareholders.

The Excluded Shareholders will not vote on the Preference Scheme Resolution. The vote will be conducted by poll.


**Voting exclusions
(Excluded
Shareholders):**

Excluded Shareholders are Bellawest and any Bellawest Associate (Lanox Pty Limited ACN 077 164 884 (**Lanox**), Ruz Pty Ltd ACN 109 273 305 (**Ruz**), any director of any member of the Bellawest Group, and any other Shareholder which is a member of the Bellawest Group or which holds a Share on behalf of or for the benefit of Bellawest, any Bellawest Group member or director, Lanox or Ruz).

**By order of the Court and the Independent Directors
Payce Consolidated Limited**

Date **23 September 2016**

Signed

A handwritten signature in black ink, appearing to read 'Brian Bailison', with a stylized initial 'B'.

Brian Bailison
Company Secretary

Notes in relation to voting

Material accompanying this notice

This Notice of Preference Scheme Meeting should be read in conjunction with the Explanatory Booklet. Terms used in this Notice of Preference Scheme Meeting, unless otherwise defined, have the same meaning as set out in the glossary in section 20 of the Explanatory Booklet.

A green Proxy Form also accompanies this notice.

Quorum for the Preference Scheme Meeting

Pursuant to the Constitution, the quorum for the Preference Scheme Meeting is three holders of Preference Shares present at the meeting and entitled to vote on a resolution at the meeting.

Eligibility to vote

A Preference Shareholder (other than an Excluded Shareholder) (**Voting Shareholder**) will be entitled to vote at the Preference Scheme Meeting if they are recorded in the Register as a holder of Preference Shares as at 7.00pm on Saturday 29 October.

How to vote

If you are a Voting Shareholder entitled to attend and vote at the Preference Scheme Meeting, you may vote by:

- (a) appointing a proxy to attend on your behalf;
- (b) appointing an attorney to vote on your behalf;
- (c) attending the Preference Scheme Meeting in person; or
- (d) in the case of a corporation which is a Voting Shareholder, by appointing an authorised corporate representative to attend on its behalf.

Jointly held securities

If Shares are jointly held, each of the joint shareholders is entitled to vote (provided that those shareholders are Voting Shareholders). However, if more than one shareholder votes in respect of jointly held Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

Voting in person

If you are proposing to attend the meeting and vote, there is no need for you to complete a green Proxy Form.

Voting by corporate representative – corporate shareholders

Body corporate Voting Shareholders may appoint an individual as a representative to exercise all the powers of the body corporate at the Preference Scheme Meeting. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. If you are attending as a corporate representative, please bring evidence of your appointment, including any authority under which the appointment was made (unless a standing appointment has previously been made and provided to PCL).

Voting by proxy

If you a Voting Shareholder and are not attending the Preference Scheme Meeting and you wish to vote on the Preference Scheme Resolution you must complete and lodge the enclosed green Proxy Form. Any Voting Shareholder entitled to attend and vote at the meeting is entitled to appoint one or two proxies to attend and vote on their behalf. If two proxies are appointed, the Voting Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If two proxies are appointed and no proportion or number is specified, each proxy may exercise half of the votes. A proxy need not be a Shareholder. The Proxy Form contains voting instructions and other important information which you should read carefully.

Time for return of Proxy Forms

The Constitution prescribes that PCL must receive Proxy Forms (duly completed and with any necessary documentation) at least 48 hours prior to the Meeting, that is, by 11.00am on 29 October 2016.

For an appointment of proxy to be effective, Proxy Forms and, if applicable, the power of attorney (or a certified copy of the power of attorney) under which they are signed must be lodged with PCL's share registry, Boardroom Pty Limited, at:

Postal Address:	GPO Box 3993 Sydney NSW 2001 Australia	Street Address:	Level 12, 225 George Street Sydney NSW 2000 Australia
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Fax No:	+ 61 2 9290 9655	Online:	www.votingonline.com.au/payprefscheme2016
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Signing of Proxy Forms

Proxy Forms must be duly signed by a Voting Shareholder or their attorney. If the Voting Shareholder is a body corporate, the Proxy Form must be signed by two directors or by a director and secretary, or if the Voting Shareholder is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer.

Proxy Forms signed under power of attorney

If a Proxy Form is signed by a Voting Shareholder's attorney the Constitution requires that the power of attorney or a certified copy thereof must also be received at least 48 hours prior to the Preference Scheme Meeting at which it is to be exercised, that is, by 11.00am on 29 October 2016.

Undirected proxies

Any directed proxies that are not voted on a poll at the Preference Scheme Meeting by a Voting Shareholder's appointed proxy will automatically default to the Chairman, who is required to vote proxies as directed on a poll.

The Chairman intends to vote all available proxies in favour of the Preference Scheme Resolution.

Advertisement

Where this Notice is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to attend the Preference Scheme Meeting from the ASX website (www.asx.com.au) (trading symbol on the ASX is "PAY"), PCL's website (www.payce.com.au) or by contacting Boardroom on 1300 737 760.

Annexure J Notice of Preference General Meeting

Notice of General Meeting of Preference Shareholders

PAYCE Consolidated Limited ACN 001 566 583

Notice of General Meeting of Preference Shareholders

PAYCE Consolidated Limited ACN 001 566 583 (**PCL**) gives notice (**Notice or Notice of Meeting**) that a meeting of the holders of Preference Shares will be held:

on 31 October 2016;

at 'Pulse', 9 The Crescent, Wentworth Point NSW 2127,

commencing at 11.15am, or as soon as reasonably practicable after the conclusion of the Preference Scheme Meeting (**Preference General Meeting**).

Holders of Preference Shares entitled to attend the Preference General Meeting may attend in person at the venue specified above or by proxy by completing the purple Proxy Form as described below in the section headed "Notes in relation to voting".

Unless the context otherwise requires, capitalised terms used in this Notice of Meeting have the meanings given to them in the Explanatory Booklet of which this Notice forms part.

Purpose of Meeting

The Preference General Meeting is a general meeting of the holders of Preference Shares pursuant to section 256(C)(2) of the Corporations Act to consider, and if thought fit, approve the cancellation of all Preference Shares under the Preference Scheme.

The resolution must be passed if both Schemes are to be implemented.

Resolution

To consider, and if thought fit, pass the following resolution as a special resolution, with or without modification:

Cancellation Resolution:

"That, subject to the approval of the Preference Scheme by the Court, for the purposes of section 256C(2)(b) of the Corporations Act, and for all other purposes, the issued capital of PCL be reduced by the cancellation of all the Preference Scheme Shares, being 9,905,398 Preference Shares in the capital of PCL."

Majority required:

In accordance with section 256C(2) of the Corporations Act, the Cancellation Resolution will be passed if approved by at least 75% of the votes cast by the holders of Preference Shares entitled to vote on the resolution (whether in person, by proxy, attorney, or in the case of holders or proxies which are bodies corporate, by corporate representative).

Voting exclusions (Excluded Shareholders):

Excluded Shareholders are Bellawest and any Bellawest Associate (Lanox Pty Limited ACN 077 164 884 (**Lanox**), Ruz Pty Ltd ACN 109 273 305 (**Ruz**), any director of any member of the Bellawest Group, and any other Shareholder which is a member of the Bellawest Group or which holds a Share on behalf of or for the benefit of Bellawest, any Bellawest Group member or director, Lanox or Ruz).

By order of the Independent Directors

Date **23 September 2016**

Signed

A handwritten signature in black ink, appearing to be 'B. Bailison', with a long horizontal stroke extending to the right.

Brian Bailison
Company Secretary

Notes in relation to voting

Material accompanying this notice

This Notice of Meeting should be read in conjunction with the Explanatory Booklet. Terms used in this Notice, unless otherwise defined, have the same meaning as set out in the glossary in section 20 of the Explanatory Booklet.

A purple Proxy Form also accompanies this Notice.

Quorum for the General Meeting of Preference Shareholders

Pursuant to the Constitution, the quorum for the Preference General Meeting is three holders of Preference Shares present at the meeting and entitled to vote on a resolution at the meeting.

Eligibility to vote

A holder of Preference Shares (other than an Excluded Shareholder) (**Voting Shareholder**) will be entitled to vote at the Preference General Meeting if they are recorded in the Register as a holder of Preference Shares as at 7.00pm on 29 October 2016.

How to vote

If you are a Voting Shareholder entitled to attend and vote at the Preference General Meeting, you may vote by:

- (a) appointing a proxy to attend on your behalf;
- (b) appointing an attorney to vote on your behalf;
- (c) attending the Preference General Meeting in person; or
- (d) in the case of a corporation which is a Voting Shareholder, by appointing an authorised corporate representative to attend on its behalf.

Jointly held securities

If Preference Shares are jointly held, each of the joint shareholders is entitled to vote (provided that those shareholders are Voting Shareholders). However, if more than one shareholder votes in respect of jointly held Preference Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

Voting in person

If you are proposing to attend the meeting and vote, there is no need for you to complete a purple Proxy Form.

Voting by corporate representative – corporate shareholders

Bodies corporate that hold Preference Shares may appoint an individual as a representative to exercise all the powers of the body corporate at the General Preference Meeting. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. If you are attending as a corporate representative, please bring evidence of your appointment, including any authority under which the appointment was made (unless a standing appointment has previously been made and provided to PCL).

Voting by proxy

If you are a Voting Shareholder and are not attending the Preference General Meeting and you wish to vote on the Cancellation Resolution you must complete and lodge the enclosed purple Proxy Form. Any Voting Shareholder entitled to attend and vote at the meeting is entitled to appoint one or two proxies to attend and vote on their behalf. If two proxies are appointed, the Voting Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If two proxies are appointed and no proportion or number is specified, each proxy may exercise half of the votes. A proxy need not be a Shareholder. The Proxy Form contains voting instructions and other important information which you should read carefully.

Time for return of Proxy Forms

The Constitution prescribes that PCL must receive Proxy Forms (duly completed and with any necessary documentation) at least 48 hours prior to the Meeting, that is, by 11.15am on 29 October 2016.

For an appointment of proxy to be effective, Proxy Forms and, if applicable, the power of attorney (or a certified copy of the power of attorney) under which they are signed must be lodged with PCL's share registry, Boardroom Pty Limited, at:

Postal Address:	GPO Box 3993 Sydney NSW 2001 Australia	Street Address:	Level 12, 225 George Street Sydney NSW 2000 Australia
Fax No:	+ 61 2 9290 9655	Online:	www.votingonline.com.au/payprefgm2016

Signing of Proxy Forms

Proxy Forms must be duly signed by a Voting Shareholder or the Voting Shareholder's attorney. If the Voting Shareholder is a body corporate, the Proxy Form must be signed by two directors or by a director and secretary, or if the Voting Shareholder is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer.

Proxy Forms signed under power of attorney

If a Proxy Form is signed by a Voting Shareholder's attorney, the Constitution requires that the power of attorney or a certified copy thereof must also be received at least 48 hours prior to the General Meeting at which it is to be exercised, that is, by 11.15am on 29 October 2016.

Undirected proxies

Any directed proxies that are not voted on a poll at the Preference General Meeting by a Voting Shareholder's appointed proxy will automatically default to the Chairman, who is required to vote proxies as directed on a poll.

The Chairman intends to vote all available proxies in favour of the Cancellation Resolution.

Advertisement

Where this Notice is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to attend the Preference General Meeting from the ASX website (www.asx.com.au) (trading symbol on the ASX is "PAY"), PCL's website (www.payce.com.au) or by contacting Boardroom on 1300 737 760.

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