

2 May, 2011

## **Transfield Services Infrastructure Fund Enters Into Scheme Implementation Agreement with Ratchaburi Electricity Generating Holding PCL**

Further to our announcement of 31 March 2011 to the Australian Securities Exchange (“**ASX**”), Transfield Services Infrastructure Fund (“**TSI Fund**”) announces today that it has entered into a Scheme Implementation Agreement (“**SIA**”) with Ratchaburi Electricity Generating Holding PCL (“**RATCH**”), Thailand’s leading power producer. Under the SIA RATCH would acquire the 56.2% of TSI Fund that Transfield Services Limited (“**TSE**”) does not own via inter-conditional Schemes of Arrangement and an associated ‘trust scheme’ with TSI Fund Securityholders (other than TSE) (“**Schemes**”).

The key features of the Schemes include:

- Proposed cash offer from RATCH of **\$0.85<sup>1</sup> per TSI Fund stapled security (“TSI Fund Security”)** to non-TSE Securityholders (“**Scheme Consideration**”)
- The proposed cash offer implies an enterprise value for TSI Fund of \$813 million, comprising an equity value of \$373 million and net debt of \$440 million<sup>2</sup>
- The Independent Expert has concluded that the **Schemes are fair and reasonable and therefore in the best interests of TSI Fund Securityholders**, in the absence of a superior proposal (including having regard to the ancillary transactions)<sup>3</sup>
- The **Independent Directors of TSI Fund** (Peter Young AM, David Mathlin and Emma Stein), having evaluated a range of alternatives, consider that this Proposal<sup>4</sup> provides the best overall outcome available for TSI Fund Securityholders and **have unanimously recommended that TSI Fund Securityholders vote in favour of the Schemes**, in the absence of a superior proposal. When evaluating the Proposal, the Independent Directors required full transparency of all aspects of the proposed transaction, including the proposed agreements between TSE and RATCH

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<sup>1</sup> The price paid would be reduced by any TSI Fund distributions declared or paid where the record date is prior to implementation of the Schemes.

<sup>2</sup> TSI Fund forecast for 30 June 2011.

<sup>3</sup> A draft summary of the Independent Expert’s report is attached to this announcement and will be lodged by TSI Fund with ASIC, and a copy of the full draft report will also be lodged by TSI Fund with ASIC. These remain subject to ASIC review prior to despatch to securityholders.

<sup>4</sup> Proposal is defined on the following page.

- The Board of TSE supports the Proposal
- The Schemes must be approved by TSI Fund Securityholders (other than TSE) and by the Supreme Court of New South Wales (“**Court**”) in order to become effective

The TSE representatives on the Board of TSI Fund, Dr Peter Goode and Mr Steve MacDonald, excused themselves from consideration of all matters in relation to the recommendation of the Schemes.

Separately, RATCH and TSE have entered into a Transaction Framework Agreement under which RATCH and TSE agree to various things (see below under “Summary of the Proposal”), including that RATCH would acquire a further 23.8% interest in TSI Fund from TSE at \$0.85<sup>5</sup> per security so that its securityholding increases to 80% (the “**Ancillary Transactions**” which, together with the Schemes, constitute the “**Proposal**”). The Ancillary Transactions are conditional on the implementation of the Schemes.

## Summary of the Proposal

Subject to the approval of TSI Fund Securityholders (other than TSE) at the Scheme meetings, all necessary regulatory approvals and other conditions that are set out in the SIA, TSI Fund Securityholders would receive \$0.85<sup>6</sup> cash per TSI Fund Security. The Proposal relates to TSI Fund’s portfolio of essential infrastructure assets as well as its right of first refusal over TSE’s portfolio of development opportunities (including the wind farm development portfolio).

Under the Ancillary Transactions (which are conditional on the implementation of the Schemes):

- RATCH would acquire a further 23.8% interest in TSI Fund from TSE at \$0.85<sup>7</sup> per security, so that RATCH’s securityholding would increase to 80%. TSE would retain its remaining 20% interest in TSI Fund in accordance with its long held strategic objective
- RATCH and TSE would enter into a Shareholders Agreement to govern the ongoing management and governance arrangements following the de-listing of TSI Fund
- RATCH and TSE would terminate the existing Management Services Agreement for no consideration, and enter into a Transitional Services Agreement that provides for TSE to

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<sup>5</sup>The price paid to TSE will be adjusted for notional distributions during a deferred payment period of up to 12 months and will be subject to downward adjustment if certain operational performance criteria are not met.

<sup>6</sup> Subject to adjustment if distributions are paid – refer to footnote 1.

<sup>7</sup> Refer to footnote 5.

continue to provide certain corporate services to TSI Fund for a period of up to 3 years while TSI Fund builds its own capability

- Transfield Services Infrastructure Limited will acquire TSE's development business and portfolio of development opportunities (including the wind farm development portfolio) for up to \$25 million, with \$10 million payable immediately following implementation of the Schemes plus three further payments of \$5 million upon the achievement of specific development milestones
- RATCH and TSE will make certain amendments to the Operations & Maintenance Alliance agreement, including a right for TSI Fund to market test the O&M pricing after 5 years. TSE will also have a preferred right to provide O&M services for any new TSI Fund assets

## **Reasons for TSI Fund Securityholders to vote in favour of the Schemes and related resolutions**

- When assessing the Proposal, the Independent Directors considered the benefits and risks of potential alternatives available to maximise value and concluded that **the Proposal provides the best overall outcome available to TSI Fund Securityholders in terms of value and certainty;**
- **The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interests of TSI Fund Securityholders,** in the absence of a superior proposal (including having regard to the Ancillary Transactions)<sup>8</sup>;
- **The Scheme Consideration represents a premium of over 30% to the trading price of TSI Fund Securities** on ASX prior to the announcement of the RATCH approach on 31 March 2011;
- **No superior proposal has emerged** prior to, or following, the announcement of the RATCH approach;
- **The price of TSI Fund Securities is likely to fall if the Schemes are not implemented** based on the price at which TSI Fund securities traded prior to announcement of the RATCH approach; and
- **No brokerage or stamp duty will be payable** on acceptance of the offer.

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<sup>8</sup> Refer footnote 3.

## Independent Expert

The Independent Directors appointed Deloitte Corporate Finance (“**Deloitte**”) to prepare an Independent Expert’s Report in relation to the Proposal. This was to ensure that an external professional opinion, which addressed **all** aspects of the Proposal, including the Ancillary Transactions, was available to TSI Fund Securityholders.

**The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interests of TSI Fund Securityholders** in the absence of a superior proposal (including having regard to the Ancillary Transactions).

Importantly, the **Scheme Consideration of \$0.85 per TSI Fund Security falls within the Independent Expert’s assessed valuation range of \$0.70 – 0.86 per security.**

The Independent Expert Report will be included in the Scheme Booklet to be sent to TSI Fund Securityholders following ASIC review. It remains subject to regulatory review and may also need to be updated to reflect any material changes in circumstances prior to release of the Scheme Booklet.

A draft summary of the Independent Expert’s report is attached to this announcement and will be lodged by TSI Fund with ASIC, and a copy of the full draft Independent Expert’s report will also be lodged by TSI Fund with ASIC. These remain subject to ASIC review prior to despatch to TSI Fund Securityholders.

## Independent Directors’ Recommendation

TSI Fund Independent Chairman, Mr Peter Young AM, said that after careful consideration of the Proposal and of potential strategic alternatives available to the Fund to maximise value for TSI Fund Securityholders, and having regard to the opinion of the Independent Expert, the **Independent Directors unanimously recommend that TSI Fund Securityholders support the Proposal**, in the absence of a superior proposal.

“We believe that the RATCH proposal of \$0.85 cash per security is an attractive offer to TSI Fund Securityholders,” he said.

“Not only is the offer price a very considerable premium to recently traded prices, but the Independent Expert has concluded that the Schemes are in the best interests of all TSI Fund Securityholders,” Mr Young said.

## Target Implementation Timetable

The proposed timetable\* for the implementation of the Schemes is as follows:

Event	Target Date
First Court Hearing	mid May
Despatch of Scheme Booklet	late May
Securityholder scheme meetings	late June
Second Court hearing – Schemes effective	late June
Record Date	late June / early July
Schemes implementation date	early / mid July
Payment of Scheme Consideration	early / mid July

\* These dates are indicative only and may change.

## Further information

The Schemes require approval by the requisite majorities of TSI Fund Securityholders whose securities are the subject of the Schemes. Under Australian law the Schemes must be approved by more than 50 per cent by number of such TSI Fund Securityholders voting and at least 75 per cent of votes cast by them by value. If the requisite securityholder approval is obtained for the Schemes and Court approval is obtained, the Schemes will be binding on all TSI Fund Securityholders. TSE will not vote its interest in TSI Fund at the Scheme meetings.

The SIA requires RATCH to pay the Scheme Consideration if the Schemes are approved by TSI Fund Securityholders and the Court and various other conditions precedent are satisfied. A summary of key provisions of the SIA, including conditions precedent and termination rights, is attached to this announcement.

Detailed information concerning the Proposal, including reasons for voting in support of or against the Schemes, and the Independent Expert Report, will be set out in the Scheme Booklet expected to be sent to TSI Fund Securityholders in late May 2011.

TSI Fund Securityholders should consult their stock-broker, accountant or financial adviser if they are uncertain about the implications of the Proposal for their particular financial circumstances.

# ASX Statement



TSI Fund will continue to keep securityholders informed of any material developments. Further information will also be available on TSI Fund's website at [www.tsifund.com](http://www.tsifund.com).

## MEDIA ENQUIRIES

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**Transfield Services Infrastructure Fund (TSI Fund)** is a public listed entity owning a portfolio of interests in essential infrastructure assets including five power stations, three wind farms and two water filtration plants. TSI Fund's key differentiator is its highly beneficial relationship with global asset management company, Transfield Services which provides expertise in asset development, project management, operations and maintenance.

**Ratchaburi Electricity Generating Holding PCL (RATCH)** is a company incorporated in Thailand and listed on the Stock Exchange of Thailand trading under the code RATCH. RATCH is a leading Thai power generation company. It was established in March 2000 as part of the privatisation of the Electricity Generating Authority of Thailand (EGAT). RATCH currently has a total capacity of 4,500 MW, which represents approximately 14 per cent of the installed electricity generation capacity in Thailand. Its operations principally consist of a number of thermal and hydro-power plants through its subsidiaries and affiliates in Thailand and Lao PDR. EGAT is a Thai state-owned enterprise that invests in and operates electricity, power and related businesses in Thailand and holds approximately a 50% market share. EGAT has a 45% interest in RATCH, and also has 3 representatives on RATCH's 13-member board of directors. RATCH is focussed on investment in and the development of high quality thermal, hydro, wind and solar generation assets, with a preference towards long-term contracted off-take arrangements.

**Transfield Services (TSE)** delivers essential services to key industries in the resources and industrial, property and infrastructure sectors. A leading global provider of operations, maintenance and asset and project management services, TSE has more than 28,000 employees in Australia, New Zealand, the United States, Canada, the United Arab Emirates, Qatar, India, Malaysia, Chile and New Caledonia. TSE is listed on the Australian Securities Exchange

# ASX Statement



Draft Summary of Independent Expert Report

The Independent Directors  
Transfield Services Infrastructure Limited, TSI International Limited and  
Infrastructure Fund Management Limited as responsible entity of the Transfield Services Infrastructure Trust  
(collectively, Transfield Services Infrastructure Fund)  
Level 10, 111 Pacific Hwy North  
Sydney NSW 2060

2 May 2011

Dear Independent Directors

## Independent Expert's Report

### Introduction

Transfield Services Infrastructure Fund (TSIF) appointed Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) to prepare an Independent Expert's Report expressing our opinion as to whether:

- the proposed schemes pursuant to which Ratchaburi Electricity Generating Holding PCL (Ratch) would acquire a 56.2% interest in the securities of TSIF (other than those held by Transfield Services Limited (TSE)) are fair and reasonable to, and in the best interest of, TSIF securityholders other than TSE (Public Securityholders); and
- anything has come to our attention that causes us to believe that:
  - certain proposed ancillary transactions between Ratch and TSE (Proposed Ancillary Transactions) are not on arm's length terms; or
  - the consideration payable under the Proposed Ancillary Transactions constitutes the receipt by TSE of a collateral benefit for the purposes of the Corporations Act as interpreted by the Takeovers Panel Guidance Note 21: Collateral Benefits (GN21) (Collateral Benefit).

Based on the above, TSIF has requested us also to confirm whether anything has come to our attention in respect of the Proposed Ancillary Transactions that would cause us to qualify the conclusions reached in relation to the Proposed Schemes.

### Disclosure and finalisation of the Independent Expert's Report

Our draft Independent Expert's Report includes a covering letter which summarises our opinion (Draft Summary IER), the methodology and key assumptions on which it is based. We have attached the Draft Summary IER for your reference. This summary is in draft form and, together with the rest of our full draft report, is subject to review by the Australian Securities and Investments Commission (ASIC). A full and final report will be released only once ASIC has completed its review.

### Confirmation of opinion

We confirm that in our opinion the Proposed Schemes are fair and reasonable to, and therefore in the best interests of, Public Securityholders including having regard to the Proposed Ancillary Transactions.

In addition, we note that nothing has come to our attention that causes us to believe that:

- the Proposed Ancillary Transactions between Ratch and TSE are not on arm's length terms; or
- the consideration payable under the Proposed Ancillary Transactions constitutes the receipt by TSE of a Collateral Benefit.



Accordingly, we confirm that nothing has come to our attention in respect of the Proposed Ancillary Transactions that would cause us to qualify the conclusions reached in respect of the Proposed Schemes.

Further details of the analysis undertaken to arrive at our opinion are set out in the attached Draft Summary IER.


Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED



**Mark Pittorino**

Director



**Tapan Parekh**

Director

**Deloitte.**

**Transfield Services Infrastructure Fund**

**Independent expert's report and Financial Services Guide**

**2 May 2011**

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## Financial Services Guide

### What is a Financial Services Guide?

**This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.**

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

### What financial services are we licensed to provide?

We are authorised to provide general financial product advice or to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes and government debentures, stocks or bonds.

### Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### How are we and all employees remunerated?

We will receive a fee of approximately \$340,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposed offer through which Ratchaburi Electricity Generating Holding PCL (Ratch) would acquire 56.2% of Transfield Services Infrastructure Fund (TSIF) via schemes of arrangement (Proposed Schemes).

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits. All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any

commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

We are ultimately owned by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

### What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220  
[complaints@deloitte.com.au](mailto:complaints@deloitte.com.au)  
Fax: +61 2 9255 8434

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
[info@fos.org.au](mailto:info@fos.org.au)  
[www.fos.org.au](http://www.fos.org.au)  
Tel: 1300 780 808  
Fax: +61 3 9613 6399

### What compensation arrangements do we have?

Deloitte Touche Tohmatsu holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

The Independent Directors  
Transfield Services Infrastructure Limited, TSI International Limited and Infrastructure Fund Management  
Limited as responsible entity of the Transfield Services Infrastructure Trust  
(collectively, Transfield Services Infrastructure Fund)  
Level 10, 111 Pacific Highway  
North Sydney NSW 2060

2 May 2011

Dear Independent Directors

## Independent expert's report

### Introduction

Transfield Services Infrastructure Fund (TSIF) is a stapled entity with each stapled security comprising a unit in Transfield Services Infrastructure Trust (TSIT), a share in Transfield Services Infrastructure Limited (TSIL) and a share in TSI International Limited (TSIL). TSIF owns a portfolio of power generation assets including controlling and non-controlling interests in five power stations and three wind farms. TSIF also owns interests in two water filtration plants.

On 31 March 2011 (the Announcement Date), TSIF announced it had received an indicative and non-binding proposal from Ratchaburi Electricity Generating Holding PCL (Ratch) to acquire a 56.2% interest in the securities of TSIF (being all of the TSIF securities other than those held by Transfield Services Limited (TSE) (the Non-Associated Securities), an Australian listed infrastructure contractor and developer).

Ratch will purchase the Non-Associated Securities for a price of \$0.85 per security in cash less the amount of any distribution where the record date is on or before the implementation of the proposed schemes (the Offer Price), as described below.

The proposed transaction will proceed by way of three inter-conditional schemes: two schemes of arrangement under Part 5.1 of the Corporations Act 2001 (Cth) (the Act) and one trust scheme under section 601GC of the Act which would be implemented in accordance with the Takeovers Panel Guidance Note 15: Listed Trusts and Managed Investment Scheme Mergers (the Proposed Schemes). The Offer Price is expected to be paid on or around 5 July 2011 (the Settlement Date). The terms of the Proposed Schemes are included in the Scheme Implementation Agreement entered with Ratch on 2 May 2011.

Under a separate agreement, Ratch will purchase a further 23.8% of the TSIF securities on issue from TSE for the Offer Price with an adjustment mechanism for accrued distributions and satisfaction of certain operational performance benchmarks which would complete at the same time as the Proposed Schemes (the TSE Sale). However, for a period of 12 months, TSE will retain an equivalent interest in TSIF by way of convertible notes. That period may be extended for a period of two years in certain circumstances.

In addition to the TSE Sale, TSE and Ratch will also enter into the following agreements:

- the existing Management Services Agreement (MSA), through which TSE provides management, corporate and administrative services to TSIF, will be terminated and a transitional services agreement will be entered into with TSE for the provision of limited corporate services for a period of up to three years (the Transitional Services Agreement)

- the Operations and Maintenance Alliance Agreement (OMAA) through which TSE provides operations and maintenance services to TSIF's wholly owned assets will be amended so that whilst the expiry date of the contract is unchanged (2032), TSIF will be able to undertake market testing of the rates applied by TSE and will be able to seek offers from an alternative supplier from 2016 onwards although TSE will retain a right of first refusal and will be the preferred service provider for new assets acquired in the future (the OMAA Amendment)
- TSIF will acquire TSE's portfolio of development projects and opportunities for consideration comprising \$10 million up-front and three step-up payments of \$5 million payable in connection with the first development approval signed, the first power purchase agreement signed or the first drawdown on a project financing (Financial Close) and with the Financial Close of a second project (the Development Projects Transaction). TSE is also entitled to recover a proportion of costs that it incurs in relation to the portfolio of development projects between signing and the scheme implementation, which is expected to be on the Settlement Date. TSE management have estimated these costs at \$1.5 million
- Ratch and TSE will enter into certain agreements to govern their relationship with respect to TSIF (the Shareholders Agreement, which, collectively with the TSE Sale, the Transitional Services Agreement, the OMAA Amendment and the Development Projects Transaction, are referred to as the Proposed Ancillary Transactions).

As a result of the Proposed Schemes and of the Proposed Ancillary Transactions, Ratch will own 80% of TSIF securities and TSE's ownership of TSIF will be reduced to 20%. TSIF will subsequently be delisted from the Australian Securities Exchange (ASX). The board of TSIF has prepared a scheme booklet containing the detailed terms of the Proposed Schemes and of the Proposed Ancillary Transactions (the Scheme Booklet)<sup>1</sup>.

## Purpose of the report

Section 411 of the Act (Section 411) regulates schemes of arrangement between companies and their shareholders. Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be provided to shareholders in relation to schemes of arrangement. These provisions require the preparation of a report by an independent expert stating whether or not, in the expert's opinion, the proposed scheme is in the best interests of the security holders of the entity subject to the scheme, where either:

- the corporation which is party to the scheme (TSE) has a director in common with the company subject to the scheme of arrangement (TSIF)
- the corporation which is the other party to the scheme (TSE) is entitled to more than 30% of the voting securities in the company subject to the scheme (TSIF).

As TSE has more than 30% of the voting securities in TSIF and they have a director in common, there is a legal requirement for an independent expert's report under clause 3 of Part 3 of Schedule 8 to the Corporations Regulations. In addition, consistent with the Australian Securities and Investments Commission (ASIC) and Takeovers Panel guidance and in accordance with market practice, the independent directors of TSIF (the Independent Directors) have requested Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) to prepare an independent expert's report advising whether the Proposed Schemes are fair and reasonable to, and in the best interests of, TSIF securityholders other than TSE (the Public Securityholders).

Furthermore, since the Proposed Schemes are associated with the Proposed Ancillary Transactions, the Independent Directors have requested Deloitte Corporate Finance to include in this report:

- an opinion as to whether or not anything has come to our attention that causes us to believe that:
  - the Proposed Ancillary Transactions between Ratch and TSE are not on arm's length terms; or
  - the consideration payable under the Proposed Ancillary Transactions constitutes the receipt by TSE of a collateral benefit for the purposes of the Corporations Act as interpreted by the Takeovers Panel Guidance Note 21: Collateral Benefits (GN21) (Collateral Benefit)
- confirmation that nothing has come to our attention in respect of the Proposed Ancillary Transactions that would cause us to qualify the conclusions reached in this report in relation to the Proposed Schemes.

This report is to be included in the Scheme Booklet to be sent to the Public Securityholders and has been prepared for the exclusive purpose of assisting the Public Securityholders in their consideration of the Proposed Schemes and of the Proposed Ancillary Transactions. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

<sup>1</sup> Refer to Sections 5.1 and 5.3 of the Scheme Booklet for the terms of the Proposed Schemes and of the Proposed Ancillary Transactions, respectively.

## Basis of evaluation

### The Proposed Schemes

Schemes of arrangement can include many different types of transactions, including being used as an alternative to Chapter 6 of the Act (takeover bid). The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 of the Act requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'. Accordingly, 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 be able to conclude that the proposed scheme is in the best interests of the members of the company.

Under ASIC Regulatory Guide 111, which provides guidance in respect of the content of expert reports, a control transaction such as the Proposed Schemes is:

- fair, when the value of the consideration is equal to or greater than the value of the securities subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company
- reasonable, if it is fair, or despite not being fair, after considering other significant factors, securityholders should accept the offer under the proposed scheme, in the absence of any higher bids.

To assess whether the Proposed Schemes are in the best interests of Public Securityholders, we have adopted the test of whether the Proposed Schemes are either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

### The Proposed Ancillary Transactions

Details of the framework used in forming our opinion with respect to the Proposed Ancillary Transactions are set out in Section 7 of this report. We acknowledge that, in the absence of a statutory or other well defined framework, it may be possible to use approaches other than that set out in Section 7 in concluding on the matters within the scope of our report.

### Evaluation of the Proposed Schemes

**In our opinion the Proposed Schemes are fair and reasonable to, and therefore in the best interests of, TSIF Public Securityholders including having regard to the Proposed Ancillary Transactions.**

**In addition, we note that nothing has come to our attention that causes us to believe that:**

- **the Proposed Ancillary Transactions between Ratch and TSE are not on arm's length terms; or**
- **the consideration payable under the Proposed Ancillary Transactions constitutes the receipt by TSE of a Collateral Benefit.**

**Accordingly, we confirm that nothing has come to our attention in respect of the Proposed Ancillary Transactions that would cause us to qualify the conclusions reached in respect of the Proposed Schemes.**

In arriving at these opinions, we have had regard to the following factors.

## The Proposed Schemes are fair

Set out in the table below is a comparison of our assessment of the fair market value of a TSIF security with the consideration offered by Ratch.

**Table 1: Evaluation of the Proposed Schemes**

	Low \$ <sup>1</sup>	High \$
Fair market value of a TSIF security on a control basis (cum-dividend) as at 30 June 2011 <sup>2</sup>	0.70	0.86
Offer Price (unadjusted)	0.85	0.85

Source: Deloitte Corporate Finance analysis

Notes:

1. All amounts stated in this report are in Australian dollars (AUD) unless otherwise stated and may be subject to rounding
2. Pursuant to the terms of the Proposed Schemes, TSIF security holders would receive the Offer Price on or around 5 July 2011 (the Settlement Date). This amount will be reduced by any distribution made by TSIF between the Announcement Date and the Settlement Date. Based on discussions with TSIF management, we understand that TSIF may make a distribution during this period. For the purpose of our analysis, we have estimated the present value of TSIF as at 30 June 2011 (Valuation Date), having regard to the latest TSIF management forecast debt and cash balances as of this date (TSIF management expects that any changes in cash and debt balances from the Valuation Date to the Settlement Date unrelated to a distribution will be immaterial). Based on the Offer Price adjustment mechanism, the consideration to be ultimately received by Public Securityholders will amount to \$0.85 per security. Accordingly, for the purpose of our analysis, irrespective of whether a distribution will be made by TSIF before the Settlement Date, we consider that an estimate of the fair market value of TSIF as at the Valuation Date represents a consistent basis on which to compare the 'unadjusted' Offer Price of \$0.85 per security.

The consideration offered by Ratch (gross of any adjustment for distributions prior to the Settlement Date) is at the high end of the range of our estimate of the fair market value of a TSIF security (cum-dividend). Accordingly it is our opinion that the Proposed Schemes are fair.

### Valuation of a TSIF security

We have estimated the fair market value of TSIF using the discounted cash flow method, which estimates the value of TSIF by discounting its estimated future cash flows to their present value.

The discounted cash flow method requires the determination of an appropriate discount rate and the projection of future cash flows. We have selected a range of discount rates (cost of equity) based on the nature of the asset (wind, coal, gas, water filtration) and on the specific contractual arrangements in place for each asset (whether revenues are contracted or are exposed to future market prices). Our selected discount rates range from 8.5% to 9.5% for TSIF's water filtration assets (considered to have a relatively low risk profile) to 15% to 18% for TSIF's investment in Loy Yang A power station (considered to be subject to a greater degree of uncertainty).

We have utilised cash flow projections for each asset as prepared and/or reviewed by TSIF management. Where considered appropriate, we have adjusted the cash flow projections to reflect our valuation assumptions. We have divided the equity value derived for TSIF by the number of securities on issue in order to derive the value of a TSIF security.

We have estimated the fair market value of a TSIF security to be in the range of \$0.70 to \$0.86 on a control basis as at 30 June 2011, the Valuation Date. The table on the following page summarises the underlying components of our valuation.

**Table 2: Summary of valuation of TSIF**

	Ownership	Section	TSIF Low \$million	TSIF High \$million	Security Low \$	Security High \$
TSIF's wholly owned assets (Controlled Assets)	100%	6.3.3	184	207	0.42	0.47
Loy Yang A	14%	6.3.4	49	87	0.11	0.20
BP Kwinana	30%	6.3.4	27	31	0.06	0.07
Water filtration assets	50%	6.3.4	28	30	0.06	0.07
<b>Total portfolio (equity value)</b>			<b>288</b>	<b>355</b>	<b>0.65</b>	<b>0.81</b>
Surplus cash		6.4.2	21	21	0.05	0.05
<b>Equity value (on a control basis) as at the Valuation Date</b>			<b>309</b>	<b>376</b>	<b>0.70</b>	<b>0.86</b>

Source: Deloitte Corporate Finance analysis

The high end of the range is 23% greater than the low end of the range. This is a relatively wide range in values and is primarily due to our selected valuation range for TSIF's investment in Loy Yang A. Loy Yang A has very high financial leverage and consequently relatively small changes in the estimated value of the underlying asset result in a magnified impact on the equity value. Furthermore, uncertainties around the extent to which the introduction of a carbon policy will impact Loy Yang A also contribute to such a wide valuation range.

Our valuation analysis is based on the following key assumptions:

- **Structure of carbon policy:** a cap and trade carbon scheme is introduced in July 2013 in line with announcements by the Australian Government. Our assumptions are consistent with the Carbon Pollution Reduction Scheme (CPRS) 5% scenario as outlined in a White Paper released by the Australian Government in December 2008<sup>2</sup>. There is still considerable uncertainty on the timing and exact nature of any carbon pricing policy to be implemented in Australia
- **Carbon price permits:** the price for carbon permits is consistent with the CPRS 5% scenario
- **Carbon cost compensation:** based on the CPRS framework as published in the CPRS White Paper, high carbon emitters would be compensated by the Australian Government through the issue of free permits in two tiers under the Electricity Sector Adjustment Scheme (ESAS) each for a period of 5 years from the introduction of a CPRS. Based on this framework, Loy Yang A could receive significant benefits. Given the uncertainty over the effective application of this term, in our analysis we have considered two alternate scenarios to reflect the degree to which carbon costs might be passed through under existing contractual arrangements, one scenario assuming 50% of the ESAS compensation is received and the other scenario assuming 75% of the ESAS compensation is received
- **Pricing:** we have assumed the existing terms of the various contractual arrangements will be in place until the expiry of the contracts. Uncontracted revenues have been estimated assuming either a renewal of the contracts (at terms considered to be reasonable at the relevant time) or at spot prices forecast for each individual asset (this applies to Loy Yang A and to the wind farm assets)
- **Discount rate:** we have selected discount rates reflecting the financial and operating risk profile of TSIF's assets after considering the Capital Asset Pricing Model (together with relevant market observations in comparable listed entities and the expected financial leverage) and anecdotal evidence of rates of return required by investors in comparable assets and projects. Operating risk reflects both the nature of the operations (i.e. coal-fired plant, gas-fired plant, etc) and the contractual arrangements regulating future sales and fuel supply. Given the significant uncertainty over future electricity pricing and the impact of carbon policies, cash flows underpinned by contractual arrangements that mitigate these risks demand a lower cost of capital. Cash flow projections based on future spot pricing projections are likely to be subject to much greater volatility and therefore demand a greater cost of capital. The discount rate applicable to cash flows associated with the corporate operations of TSIF (i.e. corporate overheads, debt funding and tax payments) have been estimated as a year-on-year weighted average of the discount rate of the relevant assets based on their relative value contribution. The table below sets out our selected discount rates.

<sup>2</sup> This document sets out a carbon reduction target of between 5% (CPRS 5%) and 15% (CPRS 15%) below 2000 levels by 2020 depending on the level of contribution and commitment to carbon reduction by other countries around the world.



**Table 3: Summary of discount rates (cost of equity)**

	Assets	Contracted	Uncontracted
<b>Controlled Assets</b>			
Wind Farms	Starfish Hill, Toora, Windy Hill	10.0%-11.0%	12.0%-13.0%
Gas-fired power plants	Kemerton, Townsville	10.0%-11.0%	12.0%-13.0%
Coal-fired power plant	Collinsville	10.0%-11.0%	n/a <sup>1</sup>
Corporate		10.8%-11.8%	
<b>Non-Controlled Assets</b>			
Gas-fired power plant	BP Kwinana	10.0%-11.0%	12.0%-13.0%
Coal-fired power plant	Loy Yang A	15.0%-18.0%	
Water filtration	Macarthur, Yan Yean	8.5%-9.5%	n/a

Source: Deloitte Corporate Finance analysis

Note 1: Due to the uncertain economics of Collinsville operating as a coal fired power plant post its contractual life, we have not attributed any value to this asset post 2016 when the existing power purchase agreement (PPA) ends.

The table below sets out a sensitivity analysis for certain key valuation parameters based on the mid-point of the range of valuation assumptions used in our valuation conclusion set out in Table 2 above<sup>3</sup>.

**Table 4: Summary of key valuation assumptions, scenarios and relevant valuation impact**

	Mid-point valuation assumptions	Sensitivity	Valuation impact on equity value \$million	Valuation impact on security value \$
Equity value as at Valuation Date	\$338 million	n/a	n/a	n/a
Mid-point discount rate	variable	-/+0.5% (-/+1.5% Loy Yang A)	+23 -19	+0.05 -0.04
CPI	2.80%	+/-0.25%	+6 -6	+0.01 -0.01
Spot price indexation	100% of CPI	75% of CPI	n/a -42	n/a -0.10
Spot electricity pricing - Loy Yang A	variable	-10%	n/a -46	n/a -0.10
Bundled wind price	variable	+/-10%	+8 -4	+0.02 -0.01
Collinsville carbon tax pass-through (contracted period)	75%	50%/100%	+3 -2	+0.01 -0.01
% of ESAS carbon cost compensation - Loy Yang A	62.5%	50%/75%	+8 -7	+0.02 -0.02
Loy Yang A decommissioned in 2036	No	Yes	n/a -3	n/a -0.01

Source: Deloitte Corporate Finance analysis

We note that some of the above assumptions are interdependent. Given the complexities associated with performing scenario analysis and the significant number of potential scenarios that would require analysis, we have not considered the potential consequences of changing an individual assumption on the other assumptions. Nevertheless, the sensitivity analysis provides guidance on the magnitude of the valuation impact of changing each of the above key assumptions in isolation.

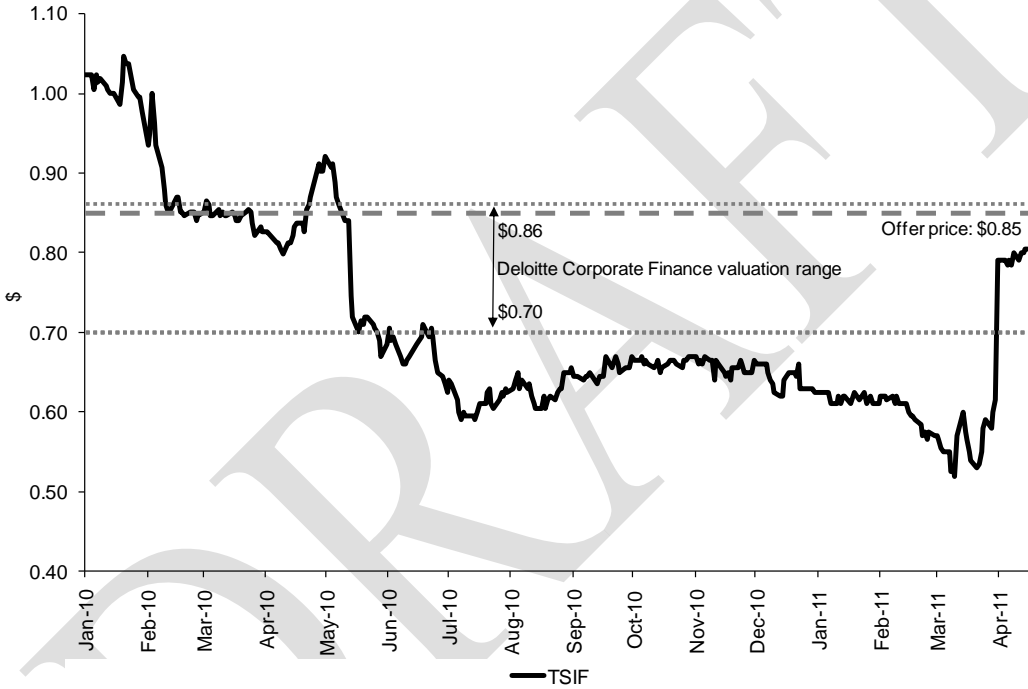
<sup>3</sup> The mid-point value resulting from this analysis is slightly different from the arithmetic average of our estimated low and high end of the valuation range for TSIF and TSIF securities. A reader should refer to this sensitivity analysis only for the purpose of identifying an indicative value impact deriving from changing certain key assumptions. It can reasonably be assumed that such an indicative impact would apply to both our estimated low and high end of the valuation range as presented in Table 2 above.

The above sensitivity analysis does not consider the impact of the introduction of a carbon policy more or less favourable to TSIF than CPRS 5% (for instance, we note that members of the opposition to the current Australian Government have suggested the introduction of carbon policies which would appear to be more favourable to some of the assets and investments owned by TSIF), or the impact of a delayed introduction of CPRS 5%. A form or timing of a carbon scheme different to that assumed in our analysis could significantly increase or decrease our estimated valuation range. If Australia chose to delay the introduction of a carbon scheme, the impact on the value of TSIF securities is complex as it would be dependent on whether the end target date for achieving a 5% reduction is also delayed. Given the uncertainty on the alternative forms of carbon policy ultimately being introduced in Australia, any valuation sensitivity would be highly speculative.

In order to assess the reasonableness of our valuation conclusion, we have compared our assessed fair market value of a TSIF security on a control basis to recent trading in TSIF securities.

The market can be expected to provide an objective assessment of the fair market value of a listed entity, where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities (on a minority basis).

**Figure 1: Historical trading performance of TSIF securities to 15 April 2011 compared to our estimated valuation range and the Offer Price**



Source: Thomson Reuters, Deloitte Corporate Finance analysis

Our estimated valuation range (as at 30 June 2011) implies a premium to recent TSIF security trading, in particular:

- a premium of 13% to 39% to the TSIF security volume weight average price (VWAP) on the day before the Announcement Date
- a premium of 25% to 54% to the TSIF security VWAP for the month before the Announcement Date.

Whilst we consider that the trading prices of TSIF securities during the period immediately before the Announcement Date is a reliable indicator of market value, we note that minority parcels of shares exchanged on-market (such as TSIF's securities traded on the ASX during the period before the Announcement Date) would typically trade at a discount to the full underlying value of the relevant entity.

Minority discounts observed are generally in the range of 15% to 30%. The level of premium implied by our valuation (which is on a control basis) to the most recent TSIF security trading prior to the Announcement Date is broadly consistent with this range but is greater at the high end of our valuation range. The existence of a major shareholding block which may be perceived to control TSIF (TSE has a 43.8% holding in TSIF) could support the magnitude of this discount.

Accordingly, we are of the view that the pre-Announcement Date TSIF security trading is supportive of our selected valuation range and consider that the premium implied by the high end of our valuation range is reasonable.

### **The Proposed Schemes are reasonable**

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Schemes are reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Schemes.

The likely advantages to Public Securityholders if the Proposed Schemes are approved are detailed below.

#### *Advantages of the Proposed Schemes*

*The Proposed Schemes offer Public Securityholders the possibility to exit investments currently exposed to relatively high uncertainty at a premium to recent trading*

The Proposed Schemes offer Public Securityholders a fixed price which represents a significant premium to recent security trading for a portfolio of assets which includes investments exposed to a relatively high degree of uncertainty.

Key uncertainties which may contribute to depressing the current market values of power generation assets are:

- **Carbon policy.** Key uncertainties relate to:
  - the ultimate structure of the carbon policy: i.e. cap and trade scheme, incentive-based scheme, etc.
  - the ability to pass-through the full cost of carbon (which is likely to be less than 100% given the dynamics of the pricing and dispatch mechanisms of the National Electricity Market) on the uncontracted capacity (some, but not all, of the existing power purchase agreements have terms in place that appear to allow for full pass-through of this cost). The rate of pass-through will ultimately depend on the prevailing generation mix and the ability of the market to displace high emissions plant with cost competitive lower emission supply alternatives
  - compensation potentially available to high carbon dioxide (CO<sub>2</sub>) emitters over the initial phase of carbon policy implementation.

Given the uncontracted capacity profile and the relatively high carbon emission intensity of certain TSIF assets (i.e. Collinsville and Loy Yang A), there is a high degree of uncertainty regarding the impact of carbon policy on these assets

- **Pricing of uncontracted capacity.** Whilst the weighted average remaining contractual life of TSIF's assets is approximately 12 years, this varies substantially across the portfolio. The largest assets by attributable production, Kemerton and Townsville, have relatively long contractual arrangements (25 years and 20 years, respectively) and their cash flow profile over this period bears relatively low risk. On the other hand, Collinsville and the wind farm assets have a short (or nil for Starfish Hill) residual contractual life. Pursuant to a 22 year base load electricity hedge agreement signed between Loy Yang A and Alcoa (the Alcoa Hedge Agreement), Loy Yang A has substantially mitigated the risk of its future operations, however, over 50% of its capacity is still vulnerable to the electricity spot market and there are uncertainties over the period prior to the commencement of the Alcoa Hedge Agreement in 2014. There is considerable uncertainty around the electricity price these assets will be able to negotiate as merchant power plants
- **Debt funding.** Whilst TSIF's wholly owned assets are debt free, TSIF's corporate debt facility (Corporate Debt) directly supports the funding of these assets. Given the diversification of the underlying portfolio and the recently renegotiated terms on the Corporate Debt, refinancing risk is perceived to be relatively low. On the other hand, Loy Yang A is highly geared and is currently in cash sweep arrangements with management expecting no dividend payments or interest from shareholder loans over, at least, the next three years. The estimated equity value of Loy Yang A is very sensitive to changes in revenue and cost assumptions due to the high level of debt. Should Loy Yang A require an equity injection to stabilise its financial structure or to satisfy debt covenants, there is a risk that TSIF may be unable to fund this injection and TSIF's interest could be significantly diluted. Further, if all Loy Yang A security holders chose not to inject new equity capital, Loy Yang A may consequently be placed under administration.

The Offer Price is at the high end of our selected valuation range for a TSIF security. As a result, the Offer Price appears to attribute a value to the riskier assets (Collinsville, Loy Yang A in particular) which does not fully allow for the potential detriment deriving from the aforementioned risk factors.

Public Securityholders who are particularly adverse to these risks will have an opportunity to exit their investment at a price which offers fair market value for these 'high risk' investments.

*Opportunity to realise full control value for TSIF securities may otherwise be limited given TSE's significant interest in TSIF*

Whilst it is possible that a higher offer from Ratch or from an alternate bidder may emerge, since TSE owns a 43.8% interest in TSIF, provides management services to TSIF (via the MSA) and services TSIF's wholly owned assets (via the OMAA), an alternative offer would be unlikely to succeed without the co-operation of TSE. Both the MSA and the OMAA have very long tenures (of approximately 21 years) and have change of control provisions in place. These terms may further deter an alternative offer.

Under these circumstances there are greater than usual risks that a full takeover premium may not be realised for TSIF except through a transaction supported by TSE. Accordingly, in the absence of the Proposed Schemes there may be limited alternative opportunities through which TSIF securityholders will be able to realise full control value for their securities in TSIF.

*A sale process recently undertaken did not result in competitive offers for the Assets*

In connection with a capital structure review completed in May 2010 (the Capital Structure Review), TSIF undertook a process to seek buyers for its assets with the purpose of raising cash to reduce its reliance on debt funding.

During this process, the TSIF board approached or was approached by over 35 parties in respect to the potential sale of individual, as well as the portfolios of assets. As a result of this process, only one asset (Mt Millar Wind Farm) was sold by TSIF. Whilst during this process significant interest was demonstrated in the assets with long term contracts in place and/or with high operating performance, those not underpinned by a long term power purchase agreement or more vulnerable to a carbon policy (i.e. Loy Yang A and Collinsville), attracted limited or no interest from third parties.

The outcome of the process indicates that there are limited alternatives available to Public Securityholders to realise full control value for their investment in TSIF, for instance, by way of the sale of individual assets in the current market. Furthermore, in considering the terms of the Proposed Schemes, the TSIF board of directors has had the benefit of the market intelligence gathered during the Capital Structure Review process.

*Price may decrease from current levels if the Proposed Schemes are rejected*

The Offer Price represents a 38% premium to the TSIF VWAP on the Announcement Date and a 52% premium to the VWAP for the month prior to the Announcement Date. Accordingly, in the absence of any new information that would result in a positive re-rating it is likely that TSIF securities would trade at a significant discount to the Offer Price if the Proposed Schemes are rejected.

*Disadvantages of the Proposed Schemes*

*Introduction of a carbon policy could potentially unlock substantial value to TSIF securityholders*

Whilst there is no certainty that TSIF's assets will appreciate, general market sentiment indicates that given the current stage in the economic cycle and regulatory environment, this is unlikely to be an optimum time to realise value for Australian power generation assets.

As a consequence of the impact of the global financial crisis on highly geared infrastructure investment vehicles, TSIF management undertook the Capital Structure Review in 2010 which resulted in a significant reduction in debt and an extension of its corporate debt maturity to June 2015. In contrast to a number of other energy infrastructure investment vehicles, which experienced a sharp decline in equity value due to an increase in perceived risk of default, TSIF is now in a relatively sound financial position and is able to manage its operations with limited funding pressure.

On the other hand, the Australian energy market is currently experiencing significant uncertainty associated with a possible new carbon policy. Such uncertainty affects the current market value of TSIF's investments. In particular, it affects the assets which are most exposed to the potential adverse impact of the introduction of a carbon price (for instance, Loy Yang A and Collinsville). Since the ultimate form of Australia's carbon policy is unknown but it is expected that some form of scheme will be ultimately introduced, it may be argued that in the absence of funding pressure this is not the optimal time to sell TSIF's assets.

Whilst the introduction of a carbon policy could have adverse consequences for the value of TSIF's assets, it could also de-risk their operating and financial sustainability as it would remove some of the uncertainty implicitly factored into our valuation.

Certainty over a carbon policy could also facilitate refinancing of TSIF's assets. Should Loy Yang A be able to successfully refinance its next tranche of debt expiring in November 2012 and achieve a relatively favourable outcome from the finalisation of carbon legislation, it would de-risk this investment and possibly result in a valuation step-up.

Due to the relatively high financial leverage of TSIF and, especially, of Loy Yang A, any appreciation in the underlying asset values over time would result in an amplified appreciation of the fair market value of these investments.

If Public Securityholders approve the Proposed Schemes, they will forgo the opportunity to participate in this leveraged exposure to any medium term upside in the value of the Assets.

#### *Inability to participate in upside growth potential of TSIF*

TSIF's asset portfolio includes options for brownfield expansion of existing assets which, due to uncertainty pertaining to their development, have not materially impacted our estimated valuation range of TSIF on a control basis. A summary of the key opportunities together with other upside drivers are set out in the table below.

**Table 5: Key upsides for TSIF**

Asset	Upside	Impact	Likely timing (years)
Collinsville	Potential conversion of Collinsville to a gas-fired power plant post-expiry of the current PPA in 2016	De-risk cash flow and extend asset life	5
Kemerton	Brownfield expansion with the addition of a turbine in site	Increase in cash flows	5+
Townsville	Brownfield expansion with the addition of a turbine in site	Increase in cash flows	5+

*Source: Deloitte Corporate Finance analysis*

These expansion opportunities are still at a relatively early stage and no decision has been made by TSIF management on whether to undertake any of these opportunities. In a number of cases they are also many years away. We have set out some details of these options available below:

- **Collinsville:** TSIF engaged external advisers to assess the options of converting Collinsville from a coal-fired plant to a gas-fired plant using coal seam methane (CSM) as fuel. Collinsville's viability as a power plant fired by CSM is likely to be dependent on being able to access gas supply at prices which represent a significant discount to the forecast market prices for gas. However, at this stage it would appear that this opportunity will be difficult to realise unless Collinsville is able to secure a long term gas contract with owners of stranded gas reserves in the vicinity of the power plant
- **Townsville:** Townsville has an opportunity for capacity expansion through the addition of two open cycle gas turbines which could significantly increase capacity of the power station. Viability of this opportunity would be subject to electricity spot prices, greater certainty about carbon policy and ability to enter into suitable gas supply arrangements
- **Kemerton:** TSIF is considering constructing an additional steam turbine co-located with the existing plant for supply of electricity into the South West Interconnected System. The potential development would be subject to Verve Energy agreeing to take additional capacity from Kemerton.

As some of the above options are available in the long term, financial models have yet to be fully developed for Collinsville, Townsville and Kemerton and it is therefore very difficult to assess the market value of these potential projects. Any decision is likely to be made only once there is clarity on the form and terms of a carbon policy.

By approving the Proposed Schemes, Public Securityholders will forgo any chance to participate in any upside potential deriving from the above opportunities.

### *Alternative listed power generation investments are limited in the Australian market*

TSIF is the only Australian listed investment vehicle solely exposed to a diversified portfolio of thermal and wind power generation assets. Whilst the Australian stock market includes securities in companies owning and operating power generation assets, these are either strictly focused on renewable energy resources (e.g. Infigen Energy) or have more diversified operations (e.g. AGL and Origin Energy Limited). If TSIF securityholders approve the Proposed Schemes, they will not be able to reinvest the cash proceeds in a similar type of investment.

### *Conclusion on reasonableness*

On balance, in our opinion, the advantages of the Proposed Schemes outweigh the disadvantages.

### *Tax consequences of the transaction*

The tax implications of accepting the Proposed Schemes will vary depending on the individual circumstances of each of the Public Securityholders.

Implementation of the Proposed Schemes may crystallise a tax liability for Public Securityholders. This may be seen as a particular disadvantage for those Public Securityholders with the current intention of retaining their securities in TSIF for the long-term as implementation of the Proposed Schemes will likely crystallise a tax liability earlier than anticipated.

Public Securityholders should evaluate the taxation consequences of the Proposed Schemes based on their individual circumstances.

## **The Proposed Ancillary Transactions**

In assessing the Proposed Ancillary Transactions, we have considered whether:

- the consideration payable to TSE under the Proposed Ancillary Transactions is not on arm's length terms by having regard to any existing relationships between the parties and the genesis of, and the links between, the Proposed Schemes and the Proposed Ancillary Transactions
- there is a net benefit being provided to TSE in so far as the benefits that it is receiving under the terms of the Proposed Ancillary Transactions will exceed the benefits being provided by TSE under those transactions.

Details of our analysis are set out in Section 7 of this report.

## **Opinion**

In our opinion, the Proposed Schemes are fair and reasonable to Public Securityholders. Furthermore, nothing has come to our attention in respect of the Proposed Ancillary Transactions that would cause us to qualify our conclusion in relation to the Proposed Schemes. We have therefore concluded that the Proposed Schemes are in the best interests of Public Securityholders.

An individual Public Securityholder's decision in relation to the Proposed Schemes may be influenced by his or her particular circumstances. If in doubt the Public Securityholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

**Mark Pittorino**

Director

**Tapan Parekh**

Director

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# ASX Statement



## Summary of Scheme Implementation Agreement



# Summary of Scheme Implementation Agreement

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On 2 May 2011, TSI Fund, RHIS and RATCH entered into a Scheme Implementation Agreement in relation to the Schemes under which TSI Fund agrees to propose the Schemes.

The Scheme Implementation Agreement sets out TSI Fund's, RHIS's and RATCH's obligations in connection with the implementation of the Schemes.

A summary of the key elements of the Scheme Implementation Agreement is set out below.

Terms used in this summary are defined in section 10 of this summary below.

## 1 Agreement to propose the Schemes

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TSI Fund agrees to propose the Schemes, and RHIS agrees to assist TSI Fund to propose the Schemes, on and subject to the terms of the agreement.

Each of the Schemes are inter-conditional. If any Scheme does not become Effective, no other Scheme will proceed.

## 2 Conditions precedent

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Implementation of the Schemes is subject to conditions precedent which must be satisfied or waived before the Schemes can be implemented. The conditions precedent are as follows:

- (1) **(FIRB Approval)** Before 8:00am on the Second Court Date, the Treasurer of the Commonwealth of Australia either issues a notice stating that the Commonwealth Government does not object to RHIS acquiring TSI Fund Securities pursuant to the Schemes and the Transaction Framework Agreement (or the transactions contemplated by the Transaction Framework Agreement to the extent they require approval), either unconditionally or on terms that do not impose unduly onerous obligations on RHIS, or becomes, or is precluded (at any time before 8.00am on the Second Court Date) under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) from making an order in respect of such acquisitions and transactions (or if an interim order is made, the subsequent period for making a final order prohibiting the proposed acquisitions and transactions has elapsed without a final order being made).
- (2) **(Regulatory approvals)** Before the date of the Trust Scheme Meeting, ASIC has granted:
  - (A) a modification (or indicated in writing that a modification will not be required) of Item 7 of section 611 of the Corporations Act, allowing Eligible TSIT Unitholders (other than the RE and its associates) to vote in favour of the Amendment Resolution and the Acquisition Resolution;

- (B) an exemption from any requirement for RHIS to comply with Division 5A of Part 7.9 of the Corporations Act in relation to the Trust Scheme (or the transactions contemplated by or in connection with it); and
- (C) an exemption from the requirements of Part 7.6 of the Corporations Act in relation to any general financial product advice by RHIS contained in the Scheme Booklet,

and before the date of the Scheme Meetings, ASX has confirmed that it does not object to the draft modifications of the TSIT Constitution required for the Trust Scheme or the draft Scheme Booklet under ASX Listing Rule 15.1, on an unconditional basis or on terms that are acceptable to the parties acting reasonably.

- (3) **(Joint bid relief)** Before the date of the Scheme Meetings, ASIC has granted relief to RHIS and TSE from section 606 of the Corporations Act in respect of the acquisition of relevant interests in securities in TSI Fund or other securities in TSI Fund arising from the execution and performance of the Co-operation Deed, Transaction Framework Agreement and Shareholders Agreement (or, in the event that ASIC does not provide that relief, TSI Fund Securityholders approve those matters in the requisite majorities at general meetings held at or around the same time as the Scheme Meetings for the purposes of section 611, item 7 of the Corporations Act).
- (4) **(Development Portfolio Sale Agreement)** TSI Fund Securityholders approve the performance of the Development Portfolio Sale Agreement for the purposes of ASX Listing Rule 10.1 by the requisite majorities at general meetings held at or around the same time as the Scheme Meetings (or ASX has waived the requirement for such approval or confirmed that such approval will not be required, conditional on the Schemes becoming Effective).
- (5) **(Court approval)** The Court approves the Schemes.
- (6) **(Securityholder approval)** The Eligible TSI Fund Securityholders agree to the Schemes by the requisite majorities.
- (7) **(No restraints)** No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or government agency or other material legal restraint or prohibition preventing the Schemes is in effect at 8.00am on the Second Court Date.
- (8) **(No Material Adverse Change)** no Material Adverse Change occurs or becomes known to RHIS between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date.
- (9) **(No TSI Fund Prescribed Event)** no TSI Fund Prescribed Event occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date.
- (10) **(TSI Fund Warranties)** The representations and warranties of TSI Fund are true and correct in all material respects as at the date of the Scheme Implementation Agreement and as at 8.00am on the Second Court Date. These representations and warranties include matters described in section 9 below.
- (11) **(No event of default under syndicated facility)** no Event of Default (as defined in the TSIL Syndicated Facility Agreement) has occurred after the date of the Scheme Implementation Agreement and which is continuing at 8.00am on the Second Court Date (other than any event of default that occurs as a result of the implementation of the Schemes or the transactions contemplated by the Scheme Implementation Agreement and the Transaction Framework Agreement, or a third party exercising any contractual rights as a result of any change of control event in respect of the TSI Fund Group).

TSI Fund must use best endeavours to procure that the conditions precedent in sections 2(4), 2(8), 2(9), 2(10) and 2(11) are satisfied in accordance with their terms. Each party

must use its best endeavours to procure that the conditions precedent in sections 2(1), 2(2), 2(3), 2(5) and 2(7) are satisfied in accordance with their terms and there is no occurrence within the control of TSI Fund or RHIS (as the context requires) that would prevent the conditions precedent being satisfied.

The conditions precedent in sections 2(5) and 2(6) cannot be waived. The conditions precedent in sections 2(1), 2(2), 2(3), 2(4) and 2(7) are for the benefit of TSI Fund and RHIS and any breach or non-fulfilment of those conditions may only be waived with the written consent of TSI Fund and RHIS (in their absolute discretion, but only to the extent such waiver is lawful).

The conditions precedent in sections 2(8), 2(9), 2(10) and 2(11) are for the sole benefit of RHIS and may only be waived by RHIS (in its absolute discretion).

If the Schemes have not become Effective by the Sunset Date, or any event occurs which would, or in fact does, prevent a condition precedent being satisfied and that condition precedent is not waived by TSI Fund or RHIS or both (as applicable), the parties must consult in good faith to determine whether the Schemes may proceed by way of alternative means or methods, change the date of the application made to the Court to another date agreed by TSI Fund and RHIS (being a date no later than 5 business days before the Sunset Date) or extend the relevant date or Sunset Date.

If the parties are unable to reach agreement within 5 business days of becoming aware of the relevant occurrence or relevant date or by the Sunset Date, then unless that condition precedent is waived, either party may terminate this agreement without any liability to the other party because of that termination, unless the relevant occurrence or the failure of the condition precedent to be satisfied, or of the Schemes to become Effective, arises out of a breach by the terminating party.

### 3 Scheme consideration

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Under the Schemes, all of the TSI Fund Scheme Securities will be transferred to RHIS, and the TSI Fund Scheme Securityholders will be entitled to receive the Scheme Consideration.

The Scheme Consideration is \$0.85 cash per TSI Fund Scheme Security.

If TSI Fund declares or becomes obliged to pay a dividend and/or distribution the record date for which is after the date of the agreement and before the Implementation Date, the Scheme Consideration per TSI Fund Scheme Security will be \$0.85 minus the cash amount of the dividend and/or distribution per TSI Fund Scheme Security.

### 4 Transaction steps

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TSI Fund and RHIS must execute all documents and do all acts and things within their respective power as may be necessary or desirable for the implementation of the Schemes on a basis consistent with the agreement and as expeditiously as possible.

### 5 Conduct of business

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During the Exclusivity Period, TSI Fund must, and must ensure that each member of the TSI Fund Group, conduct the businesses of the TSI Fund Group in the ordinary and proper course of business.

This requirement includes specific obligations on TSI Fund in relation to the conduct of its business, including to not undertake capital expenditure, enter into contracts or acquire or dispose of assets above certain materiality thresholds (unless such conduct is approved by RHIS or has otherwise been previously fairly disclosed to RHIS or required to be done in connection with the implementation of the Schemes and the Transaction Framework Agreement).

## 6 Exclusivity

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### 6.1 Termination of existing discussions

TSI Fund has represented and warranted that:

- (a) as at the date of the Scheme Implementation Agreement it has terminated all negotiations or discussions in respect of any Competing Proposal; and
- (b) prior to the date of the Scheme Implementation Agreement, it has requested the return or destruction of all confidential information of the TSI Fund Group to the extent that it is legally entitled to do so under the terms of each confidentiality agreement with a third party who has conducted due diligence investigations on the TSI Fund Group prior to the date of the agreement in relation to a potential Competing Proposal.

### 6.2 No-shop and no-talk obligations

TSI Fund has agreed that during the Exclusivity Period it must not, and must take reasonable steps to ensure that none of its Representatives:

- (a) directly or indirectly, solicits, invites, encourages or initiates any enquiries, negotiations or discussions, or communicates any intention to do any of these things, with a view to obtaining any expression of interest, offer or proposal from any other person in relation to a Competing Proposal or potential Competing Proposal (the **No-shop restriction**);
- (b) enters into, continues or participates in any negotiations or discussions with any person regarding a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal; provides any non-public information regarding the TSI Fund Group's businesses or operations for the purposes of enabling or assisting that person to make a Competing Proposal; or enters into any agreement, arrangement or understanding in relation to, or which may reasonably be expected to lead to, an expression of interest, offer or proposal from any other person in relation to a Competing Proposal (the **No-Talk Obligation**).

### 6.3 Notification

During the Exclusivity Period, if:

- (a) TSI Fund or its representatives receive any expression of interest, offer or proposal with respect to, or which may reasonably be expected to lead to, a Competing Proposal, whether unsolicited or otherwise;
- (b) there is any approach or inquiry to initiate, continue or resume any discussions or negotiations with, TSI Fund or its Representatives with respect to, or that could reasonably be expected to lead to, any Competing Proposal, whether unsolicited or otherwise; or
- (c) any request for non-public information relating to the TSI Fund Group or any of their businesses or operations or any request for access to the books or records

of the TSI Fund Group is made with respect to, or that could reasonably be expected to lead to, any Competing Proposal, whether unsolicited or otherwise, (each an **Other Proposal**), then TSI Fund must inform RHIS within 24 hours of that fact and the identity of the persons involved and they key terms of the Other Proposal (**Other Proposal Notice**).

#### 6.4 RHIS's right to match Other Proposal

TSI Fund must not enter into any agreement, arrangement or understanding in relation to an Other Proposal, announce an Other Proposal publicly or terminate the Scheme Implementation Agreement as a result an Other Proposal, unless TSI Fund gives RHIS an Other Proposal Notice in relation to the Other Proposal and a period of five Business Days has lapsed from the date on which RHIS receives the Other Proposal Notice.

RHIS will have the right, at any time until the expiration of five Business Days following receipt of the Other Proposal Notice to offer to amend the terms of the Scheme or to propose any other transaction (**RHIS Counterproposal**), which must be reviewed by the Independent Directors in good faith to determine whether the RHIS Counterproposal is at least as favourable to TSI Fund Securityholders as the Other Proposal taking into account all terms and conditions of both proposals.

If the Independent Directors determine, in good faith that the RHIS Counterproposal is at least as favourable to TSI Fund Securityholders as the Other Proposal, then:

- (a) if the RHIS Counterproposal contemplates an amendment to the Schemes, the parties must enter into a deed amending the Scheme Implementation Agreement and all other necessary documents to reflect the RHIS Counterproposal;
- (b) if the RHIS Counterproposal contemplates any other transaction, TSI Fund must make an announcement as soon as reasonably practicable recommending the RHIS Counterproposal, in the absence of a Superior Proposal and subject to an independent expert opining that the transaction is in the best interests of TSI Fund Securityholders, and the parties must pursue implementation of the RHIS Counterproposal in good faith; and
- (c) TSI Fund must not take any further steps in relation to the Other Proposal.

#### 6.5 Exception to no-talk, notification and matching right obligations

TSI Fund and its related bodies corporate and their representatives may undertake (or refrain from undertaking) any action which would otherwise be prohibited by the no-talk, notification and matching right obligations referred to above in relation to a Competing Proposal or Other Proposal received after the date of the Scheme Implementation Agreement which was not brought about as a result of a breach of the no-shop obligations, where:

- (a) a majority of the Independent Directors consider that the Competing Proposal or Other Proposal (as the context requires) constitutes, or would be likely to constitute, a Superior Proposal; and
- (b) a majority of the Independent Directors determine that not undertaking (or not refraining from undertaking) that action would be likely to involve a breach of the fiduciary duties owed by any Independent Director, or it would otherwise be unlawful.

For the purpose of the exception, the no-talk obligation does not restrict TSI Fund or its representatives from determining whether a Competing Proposal or Other Proposal is one to which the exception applies.

## 6.6 No break fees

No break fees are payable by any party under the Scheme Implementation Agreement.

## 7 Termination

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Either TSI Fund or RHIS may terminate the Scheme Implementation Agreement at any time before 8.00am on the Second Court Date if:

- (a) the other party is in material breach of the Scheme Implementation Agreement and the breach is not remedied within 5 Business Days (or any shorter period ending on the Second Court Date) of the defaulting party receiving notice from the non-defaulting party of the breach and an intention to terminate the agreement if the breach is not remedied; or
- (b) an Independent Director changes or withdraws their recommendation to TSI Fund Securityholders to vote in favour of the Schemes, or recommends a superior proposal (provided that TSI Fund can only terminate in these circumstances if the Independent Director has changed or withdrawn their recommendation because the independent expert has ceased to conclude that the Schemes are in the best interests of TSI Fund Securityholders or TSI Fund has received a Superior Proposal (and TSI Fund has first complied with the notification and matching rights referred to in the description of the exclusivity provisions above)).

The Scheme Implementation Agreement automatically terminates if a Court or government agency has taken any action permanently restraining or otherwise prohibiting the Schemes, or has refused to do any thing necessary to permit the Schemes, and the action or refusal has become final and cannot be appealed.

## 8 RATCH guarantee

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RATCH irrevocably and unconditionally guarantees to TSI Fund (in its own right and separately as trustee for each relevant TSI Fund Securityholder) the due and punctual observance, performance and discharge of all obligations of RHIS under the agreement and the Schemes.

If RHIS defaults in the due and punctual observance, performance or discharge of these obligations, RATCH must, immediately on demand by TSI Fund, perform, observe and discharge the obligations.

## 9 Other

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TSI Fund, RHIS and RATCH give representations and warranties to each other as to their incorporation, solvency and power to enter into the Scheme Implementation Agreement. In addition, TSI Fund warrants that it is not in breach of its continuous disclosure obligations (as far as it is aware) and has not knowingly or recklessly omitted to disclose information which is material to RHIS deciding to enter into the Scheme Implementation Agreement, or provided information which is materially false or misleading.

RHIS has an obligation under the Scheme Implementation Agreement to pay all stamp duties and any fines and penalties with respect to stamp duty in respect of the Scheme Implementation Agreement and the Schemes (or the steps to be taken in relation to these).

## 10 Definitions

The meanings of the terms used in this summary are set out below.

Term	Meaning
<b>Acquisition Resolution</b>	the resolution to approve the acquisition by RHIS of all the TSIT Units other than those held by TSE Group.
<b>Amendment Resolution</b>	the resolution to amend the TSIT Constitution to authorise all actions necessary or desirable for the transfer of all the TSIT Units other than those held by TSE Group to RHIS.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Associate</b>	the meaning given in section 12(2) of the Corporations Act.
<b>ASX</b>	ASX Limited.
<b>ASX Listing Rules</b>	the listing rules of the ASX.
<b>business day</b>	a day that is not a Saturday, Sunday, public holiday or bank holiday in Sydney, Australia or Bangkok, Thailand.
<b>Claim</b>	a demand, claim, action or proceeding, however arising and whether present, unascertained, immediate, future or contingent, including any claim for specific performance.
<b>Competing Proposal</b>	<p>any expression of interest, offer or proposal by any person (other than RHIS or its Associates):</p> <ol style="list-style-type: none"> <li>1 to consider or enter into any transaction which, if ultimately completed, will have the result that:           <ol style="list-style-type: none"> <li>(i) any person or two or more persons who are Associates (other than RHIS or its Associates) will, or would reasonably be expected to, acquire voting power in 50% or more of TSI Fund Securities; or</li> <li>(ii) a person (other than RHIS or its Associates) will, or would reasonably be expected to, acquire control of TSI Fund, within the meaning of section 50AA of the Corporations Act, including by way of a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, shareholder-approved TSI Fund Security acquisition or issuance, share buy-back or repurchase, reverse takeover, establishment of a new holding entity for TSI Fund or any other transaction or arrangement with TSI Fund;</li> </ol> </li> <li>2 to acquire, have a right to acquire or obtain an economic interest in (whether directly or indirectly) all or a substantial part of the assets or</li> </ol>

Term	Meaning
	<p>business of the TSI Fund Group;</p> <p>3 to form a dual listed company structure, stapled security structure or other form of synthetic merger having the same or substantially the same effect as a takeover bid for, or scheme of arrangement or merger in respect of, TSI Fund; or</p> <p>4 for TSI Fund to issue or agree to issue securities in TSI Fund which would represent 20% or more of the issued securities in TSI Fund (on a fully diluted basis treating all securities in TSI Fund as the same class and type for this purpose) as consideration for cash or the assets or securities of another person.</p>
<b>Co-operation Deed</b>	the deed of that name signed by RATCH and TSE and dated 31 March 2011, a copy of which was released to ASX on 1 April 2011 by TSI Fund with RATCH's initial substantial holder notice.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Court</b>	the Supreme Court of New South Wales or such other Court of competent jurisdiction under the Corporations Act as may be agreed to in writing by TSI Fund and RHIS.
<b>Development Portfolio Sale Agreement</b>	the agreement providing for the acquisition by TSIL of all the shares in TSWDPL from TSAL.
<b>Disclosure Cut-off Time</b>	5.00pm (Sydney time) on 19 April 2011.
<b>EBIT</b>	earnings before interest and tax.
<b>Effective</b>	<p>when used in relation to:</p> <ol style="list-style-type: none"> <li>1 the Share Schemes, 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 relevant scheme; and</li> <li>2 the Trust Scheme, the coming into effect, under section 601GC(2) of the Corporations Act, of the amendments to the TSIT Constitution to facilitate the Trust Scheme.</li> </ol>
<b>Effective Date</b>	<p>when used in relation to:</p> <ol style="list-style-type: none"> <li>1 the Share Schemes, the date on which an office copy of the Court order made under section 411(4)(b) of the Corporations Act approving the relevant scheme is lodged with ASIC; and</li> <li>2 the Trust Scheme, the date on which the RE lodges the amendments to the TSIT Constitution to facilitate the Trust Scheme with ASIC,</li> </ol>



Term	Meaning
	which, in accordance with the Scheme Implementation Agreement, must be the same day.
<b>Eligible TSI Fund Securityholder</b>	in relation to any Resolution, each TSI Fund Securityholder who is registered on the Register on the Meeting Record Date (subject to the voting exclusion statements in the relevant notice of meeting).
<b>Eligible TSIT Unitholder</b>	in relation to any Resolution, each TSIT Unitholder who is registered on the Register on the Meeting Record Date (subject to the voting exclusion statements in the relevant notice of meeting).
<b>Entity</b>	includes a natural person, a body corporate, a partnership, a trust and the trustee of a trust.
<b>Exclusivity Period</b>	<p>the period from and including the date of the Scheme Implementation Agreement to the earliest of:</p> <ol style="list-style-type: none"> <li>1 the Implementation Date;</li> <li>2 the date the Scheme Implementation Agreement is terminated in accordance with its terms; and</li> <li>3 the Sunset Date.</li> </ol>
<b>Fairly Disclosed</b>	disclosed in sufficient detail so as to enable a reasonable and sophisticated buyer (or one of its Representatives) experienced in transactions similar to the Schemes and experienced in a business similar to any business conducted by the TSI Fund Group, to identify the nature and effect of the matter, event or circumstance disclosed.
<b>Government Agency</b>	<p>whether foreign or domestic:</p> <ol style="list-style-type: none"> <li>1 a government, whether federal, state, territorial or local or a department, office or minister of a government acting in that capacity; or</li> <li>2 a commission, delegate, instrumentality, agency, board, or other government, semi-government, judicial, administrative, monetary or fiscal body, department, tribunal, entity or authority, whether statutory or not, and includes any self-regulatory organisation established under statute or any stock exchange.</li> </ol>
<b>Implementation Date</b>	the third Business Day after the Scheme Record Date or such other day as TSI Fund and RATCH agree.
<b>Material Adverse Change</b>	<p>one or more occurrences or any fact, matter or circumstance (whenever occurring) that individually, or when aggregated with all such occurrences, facts, matters or circumstances, has had or is reasonably likely to have one of the following effects:</p> <ol style="list-style-type: none"> <li>1 to prevent or would be likely to prevent TSI Fund from materially</li> </ol>

Term	Meaning
	<p>discharging its obligations under the Scheme Implementation Agreement;</p> <p>2 the TSI Fund Group being unable to carry on its business in substantially the same manner as it is carried on as at the date of the Scheme Implementation Agreement;</p> <p>3 to expose the TSI Fund Group to a claim where the amount that could reasonably be expected to be awarded against the TSI Fund Group if the Claim, together with all directly related Claims, were successful (net of all insurance proceeds and other amounts that can be recovered from third parties in relation to the claim) is at least \$5 million;</p> <p>4 to diminish the EBITDA of the TSI Fund Group for the 12 months ending 30 June 2011 to \$95 million or less (excluding all fees and costs incurred by TSI Fund in connection with all of the transactions contemplated by the Scheme Implementation Agreement and the Transaction Framework Agreement (including the Schemes) but including all insurance proceeds and other amounts that can be recovered from third parties in relation to the relevant event); or</p> <p>5 to reduce the EBITDA of the TSI Fund Group for a financial year commencing on or after 1 July 2011 by \$10 million or more (excluding all fees and costs incurred by TSI Fund in connection with all of the transactions contemplated by the Scheme Implementation Agreement and the Transaction Framework Agreement (including the Schemes) but including all insurance proceeds and other amounts that can be recovered from third parties in relation to the relevant event),</p> <p>unless that occurrence, fact, matter or circumstance:</p> <p>6 was Fairly Disclosed in the TSI Fund due diligence information provided to RHIS and its Representatives before the Disclosure Cut-off Time;</p> <p>7 was publicly announced by TSI Fund or otherwise Fairly Disclosed in publicly available filings by a member of the TSI Fund Group with ASX or ASIC before the Disclosure Cut-off Time;</p> <p>8 is required to be undertaken by the TSI Fund Group in connection with the Scheme Implementation Agreement or the Transaction Framework Agreement (and the Ancillary Transactions contemplated by the Transactions Framework Agreement);</p> <p>9 results from changes in general economic or political conditions, laws or policies of a Government Agency, or securities, commodities, electricity or other markets in general;</p> <p>10 occurs with the written consent of RHIS or RATCH; or</p> <p>11 relates to the declaration or payment by TSI Fund of the Permitted Distribution.</p>
<b>Meeting Record Date</b>	the date to be specified as the record date for the Scheme Meetings.
<b>Panel Guidance Note</b>	<i>Guidance Note 15: Listed Trusts and Managed Investment Scheme Mergers</i> issued by the Takeovers Panel of Australia.
<b>Permitted Distribution</b>	a cash dividend and/or distribution which is paid in the ordinary course of TSI Fund's business in respect of the half year ending 30 June 2011, which does not exceed 4.1 cents per TSI Fund Security and which is not franked in

<b>Term</b>	<b>Meaning</b>
	excess of the then available franking credits of TSI Fund.
<b>RATCH</b>	Ratchaburi Electricity Generating Holding PCL, a company listed on the Stock Exchange of Thailand.
<b>RE or IFML</b>	Infrastructure Fund Management Limited ACN 118 203 731 (AFSL No. 310497) as the trustee and responsible entity for TSIT.
<b>Register</b>	the stapled security register of TSI Fund kept pursuant to the Corporations Act.
<b>Related Body Corporate</b>	has the same meaning given to it in the Corporations Act, but with 'subsidiary' in that meaning having the meaning given in this glossary and body corporate in that meaning including any Entity or trust.
<b>Representative</b>	in relation to an entity: <ol style="list-style-type: none"> <li>1 each of the entity's Related Bodies Corporate; and</li> <li>2 each of the officers and advisers of the entity or any of its Related Bodies Corporate.</li> </ol>
<b>Resolutions</b>	the Share Scheme Resolutions and the Trust Scheme Resolutions.
<b>RHIS</b>	RH International (Singapore) Corporation Pte. Ltd., a company wholly owned by RATCH through its subsidiaries, incorporated in Singapore.
<b>Scheme Booklet</b>	the explanatory statement to be issued to TSI Fund Securityholders in connection with the Schemes.
<b>Scheme Consideration</b>	\$0.85 in respect of each TSI Fund Scheme Security, minus the cash amount of any dividend and/or distribution in respect of a TSI Fund Scheme Security the Scheme Record Date for which is on or after the date of the Scheme Implementation Agreement and before the Implementation Date.
<b>Scheme Meetings</b>	<ol style="list-style-type: none"> <li>1 the TSIL Share Scheme Meeting;</li> <li>2 the TSIIIL Share Scheme Meeting; and</li> <li>3 the Trust Scheme Meeting.</li> </ol>
<b>Scheme Record Date</b>	7:00pm on the fifth Business Day after the Effective Date or such other date as TSI Fund and RATCH agree.

<b>Term</b>	<b>Meaning</b>
<b>Schemes</b>	the Share Schemes and the Trust Scheme.
<b>Second Court Date</b>	the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Share Schemes is heard, or if the application is adjourned for any reason, the first day on which the adjourned application is heard.
<b>Share Scheme Resolutions</b>	the resolutions of the: <ol style="list-style-type: none"> <li>1 TSIL Shareholders to approve the TSIL Share Scheme as set out in the relevant notice of meeting; and</li> <li>2 TSIL Shareholders to approve the TSIL Share Scheme as set out in the relevant notice of meeting.</li> </ol>
<b>Share Schemes</b>	the TSIL Share Scheme and the TSIL Share Scheme.
<b>Shareholders Agreement</b>	the shareholders agreement that will govern the relationship of TSE and RHIS and their respective dealings with their securities in TSIL after implementation of the Schemes.
<b>Sunset Date</b>	24 August 2011.
<b>Superior Proposal</b>	a proposal which the Independent Directors in good faith determine is, or is reasonably likely to result in, a proposal that is more favourable to TSI Fund Securityholders than the Schemes, taking into account all terms and conditions of the proposal and having regard to matters including financial value to TSI Fund Securityholders and conditionality.
<b>Transaction Framework Agreement</b>	the agreement between TSE, RATCH, RHIS dated 2 May 2011 governing the ancillary transactions between those parties in connections with the Schemes.
<b>Trust Scheme</b>	the arrangement, in accordance with the Panel Guidance Note, under which RHIS acquires all of the TSIT Scheme Units, that is facilitated by the amendments to the TSIT Constitution, and that is subject to the Trust Scheme Resolutions being approved by the requisite majority of TSIT Scheme Unitholders.
<b>Trust Scheme Meeting</b>	the meeting of the TSIT Unitholders convened by the RE to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.
<b>Trust Scheme Resolutions</b>	the resolutions of the TSIT Unitholders to approve the Trust Scheme.

<b>Term</b>	<b>Meaning</b>
<b>TSAL</b>	Transfield Services (Australia) Pty Limited ACN 093 114 553.
<b>TSE</b>	Transfield Services Limited ACN 000 484 417.
<b>TSE Group</b>	TSE and each of its Related Bodies Corporate collectively (excluding the TSI Fund Group) and a reference to a “TSE Group member” or a “member of the TSE Group” is to TSE or any of its Related Bodies Corporate (excluding the TSI Fund Group).
<b>TSI Fund</b>	Transfield Services Infrastructure Fund comprising TSIL, TSIL and TSIT (including, where applicable, acting through the RE as the responsible entity of TSIT).
<b>TSI Fund Group</b>	TSI Fund and each of their respective Related Bodies Corporate collectively (excluding the TSE Group).
<b>TSI Fund Prescribed Event</b>	<p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> <li>1 a member of the TSI Fund Group converting all or any of its shares or units (as applicable) into a larger or smaller number of shares;</li> <li>2 a member of the TSI Fund Group resolving to reduce its share or unit (as applicable) capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares or units (as applicable);</li> <li>3 a member of the TSI Fund Group entering into a buy-back agreement, or resolving to approve the terms of a buy-back agreement under the Corporations Act;</li> <li>4 TSI Fund declaring, determining to pay, paying or distributing any dividend, distribution, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members (in each case whether in cash or not), other than a Permitted Distribution;</li> <li>5 a member of the TSI Fund Group issuing shares or units (as applicable), or granting an option over its shares or units (as applicable), or agreeing to make such an issue or grant such an option;</li> <li>6 a member of the TSI Fund Group issuing or agreeing to issue securities or other instruments convertible into shares or units (as applicable) or debt securities;</li> <li>7 a member of the TSI Fund Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;</li> <li>8 other than in the ordinary course of business and consistent with past practice, a member of the TSI Fund Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property;</li> <li>9 a member of the TSI Fund Group resolving that it be wound up, or the members of TSI Fund resolving that RE wind-up the TSIT;</li> <li>10 a liquidator, provisional liquidator or administrator of a member of the TSI</li> </ol>

Term	Meaning
	<p>Fund Group being appointed;</p> <p>11 the making of an order by a court for the winding up of a member of the TSI Fund Group, or RE determining to terminate the TSIT in accordance with the TSIT Constitution;</p> <p>12 a member of the TSI Fund Group executing a deed of company arrangement;</p> <p>13 a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a member of the TSI Fund Group being appointed; or</p> <p>14 a member of the TSI Fund Group making any material change or amendment to its constitution or other constituent documents (including the trust deed establishing the TSI Fund), other than any amendment in connection with a Scheme or this agreement or the Transaction Framework Agreement,</p> <p>however none of the above events will constitute a Prescribed Event where:</p> <p>15 RHIS has approved in writing the proposed event;</p> <p>16 the event was Fairly Disclosed in TSI Fund due diligence information provided to RHIS and its representatives before the Disclosure Cut-off Time;</p> <p>17 the event was publicly announced by TSI Fund or otherwise fairly disclosed in publicly available filings by a member of the TSI Fund Group with ASX or ASIC before the Disclosure Cut-off Time;</p> <p>18 a member of the TSI Fund Group is required to undertake the event in connection with a Scheme, this agreement or the Transaction Framework Agreement; or</p> <p>19 the event relates to the declaration or payment by TSI Fund of the Permitted Distribution.</p>
<b>TSI Fund Scheme Security</b>	a TSI Fund Security on issue as at the Scheme Record Date, other than a TSI Fund Security held by a member of the TSE Group.
<b>TSI Fund Scheme Securityholder</b>	each person who is a TSI Fund Securityholder on the Scheme Record Date (other than a member of the TSE Group).
<b>TSI Fund Security or TSI Fund Securities</b>	one TSIL Share, one TSIL Share and one TSIT Unit.
<b>TSI Fund Securityholder or Securityholders</b>	<p>each person registered in the Register as a holder of TSI Fund Securities other than a member of the TSE Group, except in relation to:</p> <ol style="list-style-type: none"> <li>1 the payment of Scheme Consideration and participation in the Schemes, where it means the TSI Fund Scheme Securityholder; and</li> <li>2 approval of, acceptance of or voting in relation to the Resolutions, where it means Eligible TSI Fund Securityholders.</li> </ol>

<b>Term</b>	<b>Meaning</b>
<b>TSIIL</b>	TSI International Limited ACN 124 582 547.
<b>TSIIL Share</b>	a fully-paid ordinary share in TSIIL.
<b>TSIIL Shareholders</b>	a person who is registered in the Register as the holder of TSIIL Shares other than a member of the TSE Group.
<b>TSIIL Share Scheme</b>	the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between TSIIL and the TSIIL Shareholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by RHIS and TSI Fund.
<b>TSIIL Share Scheme Meeting</b>	the meeting of TSIIL Shareholders convened by the Court in relation to the TSIIL Share Scheme pursuant to section 411(1) of the Corporations Act.
<b>TSIL</b>	Transfield Services Infrastructure Limited ACN 106 617 332.
<b>TSIL Share</b>	a fully-paid ordinary share in TSIL.
<b>TSIL Shareholder</b>	a person who is registered in the Register as the holder of TSIL Shares other than a member of the TSE Group.
<b>TSIL Share Scheme</b>	the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between TSIL and the TSIL Shareholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by RHIS and TSI Fund.
<b>TSIL Share Scheme Meeting</b>	the meeting of TSIL Shareholders convened by the Court in relation to the TSIL Share Scheme pursuant to section 411(1) of the Corporations Act.
<b>TSIL Syndicated Facility Agreement</b>	the TSIL Syndicated Facility Agreement dated 30 June 2010 between TSIL as borrower, ANZ as facility agent and others.
<b>TSIT</b>	Transfield Services Infrastructure Trust ARSN 125 010 531.
<b>TSIT Constitution</b>	the constitution of TSIT.
<b>TSIT Scheme Unit</b>	a TSIT Unit on issue as at the Scheme Record Date, other than a TSIT Unit held by a member of the TSE Group.

<b>Term</b>	<b>Meaning</b>
<b>TSIT Scheme Unitholder</b>	each person who is a TSIT Unitholder on the Scheme Record Date (other than a member of the TSE Group).
<b>TSIT Unit</b>	a fully-paid ordinary unit in TSIT.
<b>TSIT Unitholder</b>	each person who is registered in the Register as the holder of TSIT Units other than a member of the TSE Group.
<b>TSWDPL</b>	Transfield Services Wind Developments Pty Limited ACN 128 669 232