20 August 2018

GATEWAY LIFESTYLE GROUP (ASX: GTY)

GTY Target's Statement – Hometown Offer

Gateway Lifestyle Group (ASX:GTY) today released its Target's Statement responding to the off-market takeover offer by Hometown Australia to acquire all the securities in Gateway Lifestyle Group for $2.25 per security (the **Hometown Offer**).

A copy of Gateway Lifestyle's Target's Statement accompanies this announcement and includes an Independent Expert's Report prepared by Grant Samuel (the **Independent Expert**). The Independent Expert has concluded that the Hometown Offer is fair and reasonable to non-associated securityholders.

The Directors recommend that Gateway Lifestyle securityholders accept the Hometown Offer, in the absence of a superior proposal. However, the Directors recommend that securityholders should have regard to the outstanding conditions of Hometown's Offer in deciding when to accept.

The Gateway Lifestyle Board encourages securityholders to read the Target's Statement in full, including the Independent Expert's report, before making any decision regarding the Hometown Offer.

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GATEWAY LIFESTYLE

Gateway Lifestyle Operations Limited
(ABN 63 605 543 968)
One Managed Investment Funds Limited
(ABN 47 117 400 987)
in its capacity as responsible entity of
Residential Parks No.2 Trust
(ARSN 605 803 414)

This is an important document and requires your immediate attention. If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

TARGET'S STATEMENT

YOUR DIRECTORS RECOMMEND THAT YOU ACCEPT THE TAKEOVER OFFER FROM HOMETOWN IN THE ABSENCE OF A SUPERIOR PROPOSAL. HOWEVER, SECURITYHOLDERS SHOULD HAVE REGARD TO THE OUTSTANDING CONDITIONS OF HOMETOWN'S OFFER IN DECIDING WHEN TO ACCEPT.

This Target's Statement has been issued in response to the off market takeover bid made by Hometown for all the securities in Gateway Lifestyle Group.

Financial adviser

FORT STREET ADVISERS

Legal adviser

HERBERT SMITH FREEHILLS

Important Notices

Nature of this document

This document is a Target's Statement issued by One Managed Investment Funds Limited (ABN 47 117 400 987) in its capacity as responsible entity of Residential Parks No.2 Trust (ARSN 605 803 414) and Gateway Lifestyle Operations Limited (ABN 63 605 543 968) (together, **Gateway**) under Part 6.5 Division 3 of the Corporations Act 2001 (Cth) (**Corporations Act**) in response to the off-market takeover bid made by ACN 626 522 085 Pty Ltd as trustee for Hometown Australia Management Pty Ltd (ACN 614 529 538) and as trustee for Hometown Australia Nominees Pty Ltd (ACN 616 047 084) as trustee for the Hometown Australia Property Trust (together, **Hometown**) for all the Securities in Gateway.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 20 August 2018. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

Key dates

Date of Hometown's Offer	8 August 2018.
Date of this Target's Statement	20 August 2018.
Close of Hometown's Offer Period (unless extended or withdrawn)	7.00pm Sydney time on 10 September 2018.

Gateway Lifestyle Group Securityholder information

Gateway has established a Securityholder information line which Gateway Securityholders may call between 8.30am and 5.30pm (Sydney time) if they have any queries in relation to Hometown's Offer. The telephone number for the Securityholder information line is 1800 677 648 (for calls made from within Australia) or +61 1800 677 648 (for calls made from outside Australia). Calls to the Securityholder information line may be recorded.

Further information relating to Hometown's Offer can be obtained from Gateway's website at https://www.gatewaylifestyle.com.au/.

Defined terms
A number of defined terms are used in this Target's Statement. These terms are explained in section 12 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances
This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements
Some of the statements appearing in this Target's Statement (including in the Independent Expert's Report) may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Gateway operates as well as general economic conditions and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Gateway, Gateway's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward

looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement (including in the Independent Expert's Report) reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on Hometown, Hometown Group and Hometown Group's securities contained in this Target's Statement has been prepared by Gateway using publicly available information. The information in the Target's Statement concerning Hometown and Hometown Group and their assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by Gateway. Accordingly, Gateway does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Independent Expert's Report

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for the Independent Expert's Report. Neither Gateway nor any of its officers or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report, except, in the case of Gateway, in relation to the information which it has provided to the Independent Expert.

Risk factors

Securityholders should note that there are a number of risk factors attached to their investment in Gateway. Section 8 of this Target's Statement sets out further information on those risks.

Charts and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Privacy

Gateway has collected your information from the Gateway register of Securityholders for the purpose of providing you with this Target's Statement. The type of information Gateway has collected about you includes your name, contact details and information on your holding of Gateway Securities. Without this information, Gateway would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Securityholders to be held in a public register. Your information may be disclosed on a confidential basis to Gateway's related bodies corporate and external service providers (such as the security registry of Gateway and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Gateway, please contact LINK Market Services Limited at the address shown in the Corporate Directory. Gateway's privacy policy is available at https://www.gatewaylifestyle.com.au/privacy. The registered address of GLOL is Suite C, Level 2, 117 Clarence Street, Sydney NSW 2000 and for the purposes of this Target's Statement, OMIFL has appointed GLOL as its agent to receive all correspondence.

Non-IFRS Financial Measures

Gateway results are reported under IFRS. However, this Target's Statement includes certain financial information that are non-IFRS financial measures for the purposes of providing a more comprehensive understanding of the performance of Gateway. These non-IFRS financial measures include distributable earnings, EBITDA and other operating measures which provide useful information for measuring the underlying operating performance of Gateway. Such non-IFRS information is unaudited, however the numbers have been extracted from audited financial statements.

Evaluation of Hometown's Offer

The Directors recommend that Gateway Securityholders accept Hometown's Offer, in the absence of a superior proposal. However, Securityholders should have regard to the outstanding conditions of Hometown's Offer in deciding when to accept.

The reasons for this recommendation are:

1	The Independent Expert has concluded that the Offer is fair and reasonable to Non-Associated Securityholders
2	The Offer Price of $2.25 represents an attractive premium to historic trading prices and net tangible assets per Security. Hometown has declared that this Offer Price is its best and final offer and will not be increased in the absence of a Competing Proposal
3	The all-cash Offer provides certainty of value for your Gateway Securities
4	No superior proposal has emerged as at the date of this Target's Statement
5	There is a risk that the Gateway Security price may trade below the Offer Price if Hometown's Offer is not successful and in the absence of a superior proposal
6	There are other potential risks in not accepting Hometown's Offer
7	At the date of this Target's Statement, the Offer remains subject to a significant number of conditions. You will not be paid unless and until all conditions are satisfied or waived by Hometown

The decision as to whether or not to accept the Offer depends on the circumstances of each individual Gateway Securityholder, including risk profile, portfolio strategy, tax position, financial circumstances and investment time horizon.

Alternative option: Sell on-market

During the period between the announcement of Hometown's Offer on 2 July 2018 and the date of this Target's Statement, Gateway Securities have traded at prices higher than Hometown's Offer Price of $2.25 per Security.

As an alternative to accepting Hometown's Offer, you have the option to sell your Securities on-market in which case you will be paid within 2 days of the sale but may have to pay brokerage. See section 3.2 of this Target's Statement for more information about this option.

Chairman's Letter

20 August 2018

Dear Gateway Lifestyle Securityholder,

On 2 July 2018, Hometown announced a conditional off-market takeover offer for all the Securities of Gateway at $2.25 per Security (Hometown's Offer). On 16 August 2018, Hometown declared that the Offer Price of $2.25 is its best and final offer and will not be increased in the absence of a Competing Proposal.

Hometown's Offer is being put to Gateway Securityholders following receipt of a number of indicative proposals, including:

- A non-binding, indicative offer from Hometown to acquire Gateway by way of a scheme of arrangement for an effective price of $2.0465[1] , subject to a number of conditions, including completion of due diligence; and
- A non-binding, indicative offer from Brookfield to acquire Gateway by way of a scheme of arrangement for an effective price of $2.2465[2] , subject to a number of conditions including completion of due diligence.

As at the date of this Target's Statement, Hometown's Offer is the only takeover offer capable of acceptance by Gateway Securityholders.

The Directors recommend that Gateway Securityholders accept Hometown's Offer, in the absence of a superior proposal. However, Securityholders should have regard to the outstanding conditions of Hometown's Offer in deciding when to accept.

Hometown's Offer of $2.25 for each Gateway Security represents:

- a premium of 41.2% to Gateway's net tangible asset backing of $1.594 per Security as at 30 June 2018;
- a premium of 26.7% to the distribution adjusted closing price[3] of Gateway Securities on 12 June 2018, being the trading day prior to the announcement of Hometown's initial non-binding proposal;
- a premium of 26.8% to the distribution adjusted 3-month volume weighted average price (VWAP) [3] of Gateway Securities up to 12 June 2018; and
- a discount of 0.4% to the closing price of Gateway Securities on 17 August 2018, being the last practicable trading day prior to the date of this Target's Statement.

In forming the decision to recommend that Gateway Securityholders accept Hometown's Offer, the Directors have carefully considered the following matters:

- the Independent Expert, Grant Samuel & Associates Pty Limited, has concluded that Hometown's Offer is fair and reasonable to Non-Associated Securityholders;
- Hometown's Offer represents an attractive premium to the net tangible asset backing of Gateway Securities and their trading price undisturbed by announced potential takeover activity;
- Hometown's Offer is all cash and, subject to the conditions being satisfied or waived, provides certainty of value for Gateway Securities;

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[1]Per the ASX release on 13 June 2018, the original Hometown Proposal was at a price of $2.10 which would be reduced by the value of any distributions after the date of the Proposal.
[2]Per ASX announcement on 21 June 2018, the Brookfield proposal was at a price of $2.30 which would be reduced by the value of any distribution after the date of the Proposal.
[3]Trading prices and VWAPs have been reduced for the June 2018 Distribution.

Chairman's Letter (continued)

- as at the date of this Target's Statement, Hometown's Offer is the only takeover offer capable of acceptance by Securityholders and no superior proposal has been made or announced;
- if Hometown's Offer is not successful, and if no superior proposal emerges, there is a risk that the price of Securities may fall below Hometown's Offer Price of $2.25;
- there are other potential risks in not accepting Hometown's Offer, as described further in section 8 of this Target's Statement; and
- Hometown's Offer remains subject to a significant number of conditions, and while Hometown's Offer remains conditional, there is no certainty that Securityholders who accept Hometown's Offer will receive the consideration offered by Hometown.

Each of the Directors intends to accept Hometown's Offer in relation to the Gateway Securities they own or control, in the absence of a superior proposal, and once they are confident that all the conditions to Hometown's Offer are likely to be satisfied or waived. This includes Hometown acquiring a relevant interest of over 50% of the Gateway Securities on a fully diluted basis.

This Target's Statement contains the formal response of the Directors to Hometown's Offer. We strongly encourage you to read all the information contained in this Target's Statement carefully and to seek independent advice. You are also strongly encouraged to read Hometown's Bidder's Statement.

Hometown's Offer is currently scheduled to close at 7.00pm Sydney time on 10 September 2018 and Hometown must announce the status of the Offer Conditions on 31 August 2018, unless extended. Hometown also has to update the ASX as conditions are satisfied or waived.

The Directors will continue to keep you informed of material developments. If you have questions about the information contained in this Target's Statement, please call the Securityholder information line on 1800 677 648 (for calls made from within Australia) or +61 1800 677 648 (for calls made from outside Australia).

Yours sincerely

Andrew Love
Chairman

Contents

1 Frequently asked questions

This section answers some commonly asked questions about Hometown's Offer. It is not intended to address all relevant issues for Gateway Securityholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is Hometown's Offer for my Gateway Securities?	Hometown is offering $2.25 for each Gateway Security held by you. Hometown's Offer is subject to conditions. See section 6.3 of this Target's Statement for further details.
What are the conditions to Hometown's Offer?	The conditions to Hometown's Offer are: • Hometown and its related entities together have relevant interests in more than 50% of all Gateway Securities; • FIRB approval is obtained; • all other regulatory approvals are obtained; • Gateway's business continues to be carried on in the ordinary course; • no material adverse event has occurred; • no Gateway Securities, Security Appreciation Rights or Security Rights are issued; • no material changes are made to personnel expenses; • no Prescribed Occurrences occur; • Gateway does not make any material acquisitions, disposals or commitments; • there are no financing defaults or acceleration; • there is no material change in law in relation to Gateway; • Gateway does not change its accounting policies; • management arrangements for RPT 2 are not changed, and RPT 2 is not subject to certain other events; • no untrue statements by Gateway are identified; • there is no regulatory action affecting the Offer; • there are no rights triggered by a change of control of Gateway; and • Gateway does not agree to provide any break fee. See section 6.3 of this Target's Statement for further details.

Question	Answer
What happens if the conditions of Hometown’s Offer are not satisfied or waived?	You do not get paid for your Gateway Securities while the Offer is subject to conditions. If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with Gateway Securities even if you had accepted the Offer.
What choices do I have as a Gateway Securityholder?	As a Gateway Securityholder, you have the following choices in respect of your Securities: • accept the Offer; • sell your Securities on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or • do nothing and reject Hometown’s Offer. There are several implications in relation to each of the above choices. A summary of these implications is set out in section 5 of this Target’s Statement.
What are the Directors of Gateway recommending?	Each Director recommends that you accept the Offer in the absence of a superior proposal. However, Securityholders should have regard to the outstanding conditions of Hometown's Offer in deciding when to accept. The reasons for your Directors’ recommendation are set out in section 4 of this Target’s Statement.
What do the Directors intend to do with their Gateway Securities?	Each of the Directors intends to accept the Offer for any Gateway Securities that they own or control, in the absence of a superior proposal, once they are confident that all the conditions to Hometown’s Offer, including the 50% minimum acceptance condition, are likely to be satisfied or waived. The Directors’ interests in Gateway Securities are set out in section 9.1 of this Target’s Statement.
What is the Independent Expert’s opinion?	The Independent Expert has concluded that the Offer is fair and reasonable to Non-Associated Securityholders. You are encouraged to read the Independent Expert’s Report, in attachment 1 of this Target’s Statement in full.
Are there any reasons why I might not accept Hometown’s Offer?	Possible reasons for not accepting Hometown’s Offer are set out in section 3 of this Target’s Statement.

Question	Answer
What are the consequences of accepting the Offer now?	If you accept the Offer, unless withdrawal rights are available (see section 6.8 of this Target's Statement), you will give up your right to sell your Securities on the ASX or otherwise deal with your Securities while the Offer remains conditional.
If I accept the Offer, can I withdraw my acceptance?	You only have limited rights to withdraw your acceptance of the Offer, including where the FIRB Condition remains outstanding and if the offer is varied in a way that extends the time for payment by more than one month. See section 6.8 of this Target's Statement for further details.
When does Hometown's Offer close?	Hometown's Offer is presently scheduled to close at 7:00pm Sydney time on 10 September 2018, but the Offer Period can be extended in certain circumstances. See section 6.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.
When will I be updated about the status of Hometown's Offer conditions?	If a condition is satisfied or waived, Hometown must, as soon as practicable, give the ASX and Gateway a notice that states that the particular condition has been satisfied or waived. Hometown has also stated in its Bidder's Statement that it will give a notice of status of conditions to the ASX and Gateway on 31 August 2018 (although this date may be deferred if the Offer Period is extended). See section 6.4 of this Target's Statement for further details.
If I accept the Offer, will I still receive the June 2018 Distribution?	Yes, you will receive the June 2018 Distribution whether or not you accept Hometown's Offer, even if you accept the Offer before the date scheduled for payment of the June 2018 Distribution (being 28 September 2018).
If I accept the Offer, will I receive any other distributions?	If you become entitled to receive distributions other than the June 2018 Distribution (for example, a distribution for the six-month period ending 31 December 2018), the amount of such distributions will be credited towards your entitlement to receive the Offer Price. The amount that Hometown has to pay you is reduced by the amount of such distributions.

Question	Answer
How do I accept Hometown's Offer?	Instructions on how to accept Hometown's Offer are set out on page 3 of the Bidder's Statement.
How do I reject Hometown's Offer?	To reject Hometown's Offer, simply do nothing.
Can I accept Hometown's Offer for only some of my Gateway Securities?	No. You cannot accept Hometown's Offer for only some of your Gateway Securities. You may only accept the Offer for all of your Securities.
Can I sell my Gateway Securities on market?	You can only sell all or some of your Gateway Securities on market, if you have not accepted Hometown's Offer in respect of those Securities. However, you will likely incur brokerage charges and, if you sell on market, will not be able to participate in any superior proposal for Securities if such a proposal is made or any increase in the Offer Price that may be made by Hometown.
When will I be paid my consideration if I accept Hometown's Offer?	If you accept Hometown's Offer, you will have to wait for the Offer to become unconditional before you will be sent your consideration for your Securities from Hometown. See section 6.9 of this Target's Statement for further details on when you will be sent your consideration.
What are the tax implications of accepting Hometown's Offer?	A general outline of the tax implications of accepting Hometown's Offer is set out in section 10 of this Target's Statement. As the outline is a general outline only, Securityholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.
Can Hometown vary the Offer?	Yes. Hometown can vary the Offer by extending the Offer Period or increasing the Offer Price in accordance with the Corporations Act. On 16 August 2018, Hometown declared that the Offer Price of $2.25 is its best and final offer and will not be increased in the absence of a Competing Proposal. Hometown can also waive the conditions to the Offer. However, Hometown has no obligation to do so.
Can Hometown withdraw the Offer?	Hometown can only withdraw the Offer with ASIC's consent.

Question	Answer
What happens if Hometown increases the Offer Price?	If you accept Hometown's Offer and Hometown subsequently increases the Offer Price, you will receive the increased consideration for your Gateway Securities. On 16 August 2018, Hometown declared that the Offer Price of $2.25 is its best and final offer and will not be increased in the absence of a Competing Proposal. However, any increase in Offer Price will not be available to Gateway Securityholders who have already sold their Securities on the ASX.
What does 'best and final' offer mean?	On 16 August 2018, Hometown declared that the Offer Price of $2.25 is its best and final offer and will not be increased in the absence of a Competing Proposal. This means that, in the absence of a Competing Proposal, Hometown is representing that it will not vary the Offer to increase the Offer Price above $2.25. Hometown may still waive conditions to the Offer or extend the Offer Period.
What happens if there is a superior proposal from a third party?	If there is a superior proposal from a third party, the Directors will reconsider their recommendation in relation to Hometown's Offer and advise Gateway Securityholders accordingly. If you have already accepted Hometown's Offer at that time, you may not be able to withdraw your acceptance in which case you will be unable to accept the superior proposal if one arises. See section 6.8 of this Target's Statement for further details as to when you may withdraw your acceptance.
Can I be forced to sell my Gateway Securities?	You cannot be forced to sell your Gateway Securities unless Hometown acquires a relevant interest in at least 90% of all Securities, in which case Hometown will be entitled, and intends, to compulsorily acquire any Securities it does not already own. If your Securities are compulsorily acquired, you will receive the same consideration for your Securities that you would have received under Hometown's Offer. However, you may not receive the consideration for your Securities until up to approximately 10 weeks after the end of the Offer Period. See section 6.12 of this Target's Statement for further information.

Question	Answer
How can I get updates on the Gateway Security price?	The market trading price of Gateway Securities is likely to vary during the Offer Period. You can check the market price for all ASX listed securities by visiting www.asx.com.au. The ticker for Gateway Securities on the ASX is GTY.
Is there a number that I can call if I have further queries in relation to Hometown's Offer?	If you have any further queries in relation to the Offer, you can call 1800 677 648 (for calls made from inside Australia) or +61 1800 677 648 (for calls made from outside Australia) during the hours of 8.30am – 5.30pm (Sydney time). Calls to these number may be recorded. If, however, you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser.

2 Reasons to accept Hometown's Offer

2.1 The Independent Expert has concluded that Hometown's Offer is fair and reasonable to Non-Associated Securityholders

The Directors commissioned Grant Samuel & Associates Pty Limited as independent expert to undertake an independent assessment of the Offer. The Independent Expert has concluded that the Offer is fair and reasonable to Non-Associated Securityholders.

The Independent Expert assessed that the value of Gateway on a 100% controlling interest basis ranges from $2.13 to $2.30 per Gateway Security.

The Offer Price is 5.6% above the low point and 2.2% below the high point of the Independent Expert's assessed value of Gateway, being $2.13 and $2.30 respectively per Gateway Security on a 100% controlling interest basis. As Hometown's Offer Price falls within the Independent Expert's assessed range, the Independent Expert considers the Offer to be fair and reasonable to Non-Associated Securityholders.

The Independent Expert Report is attached in Attachment 1 to this Target's Statement.

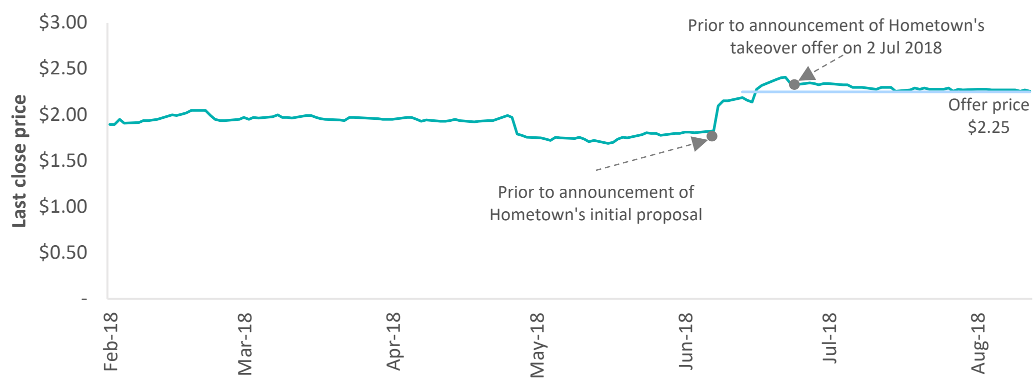
2.2 Hometown's Offer represents an attractive premium to historic trading prices and net tangible assets

Hometown's Offer of $2.25 per Security represents a premium to the prices that Gateway Securities were trading at before the announcement of Hometown's initial proposal. On 16 August 2018, Hometown declared that the offer price of $2.25 is its best and final offer and will not be increased in the absence of a Competing Proposal.

Gateway Securityholders who were registered holders on the record date of 29 June 2018 (for the June 2018 Distribution) and accept the Offer, will be entitled to retain the $0.0535 per Security distribution in addition to receiving the $2.25 per Security consideration under the Offer.

Gateway Securities' trading price rose significantly following the announcement of Hometown's initial proposal of $2.0465[4] per Security (expressed on an 'ex distribution' basis for comparability). As at 17 August 2018, Gateway Securities closed at $2.26.

Gateway trading price (ASX:GTY) for the last 6 months

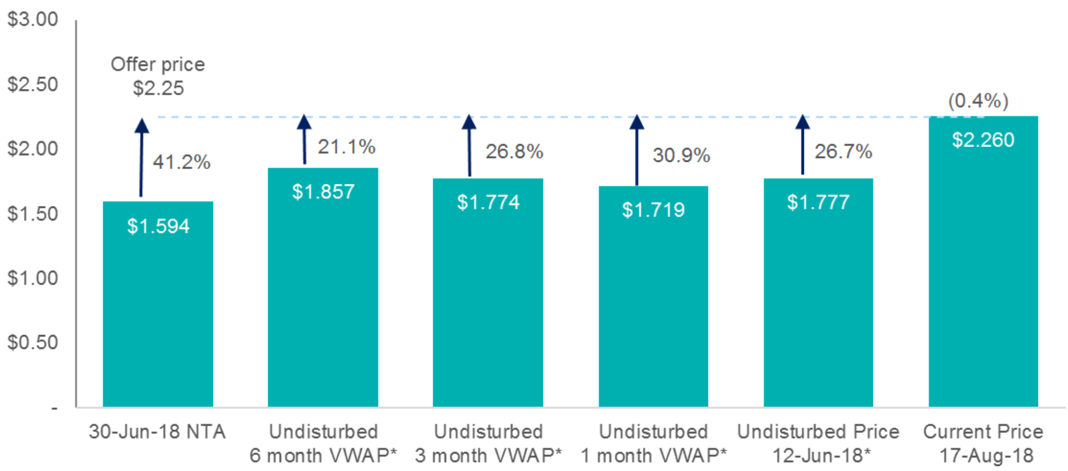


[4] Per the ASX release on 13 June 2018, the original Hometown Proposal was at a price of $2.10 which would be reduced by the value of any distributions after the date of the Proposal

Although, as at the close of trade on 17 August 2018 (being the trading day before the date of this Target's Statement), Gateway Securities were trading at $2.26, the Offer of $2.25 per Gateway Security represents an attractive premium to VWAPs across various periods to 12 June 2018, which was the last trading day prior to announcement of potential takeover activity relating to Gateway.

As illustrated in the chart below, the Offer Price of $2.25 per Gateway Security represents:

- a premium of 41.2% to Gateway's net tangible assets backing of $1.594 per Security as at 30 June 2018;
- a premium of 21.1% to the Gateway distribution adjusted undisturbed 6 month VWAP of $1.857 per Security on 12 June 2018;*
- a premium of 26.8% to the Gateway distribution adjusted undisturbed 3 month VWAP of $1.774 per Security on 12 June 2018;*
- a premium of 30.9% to the Gateway distribution adjusted undisturbed 1 month VWAP of $1.719 per Security on 12 June 2018;*
- a premium of 26.7% to the Gateway distribution adjusted undisturbed price of $1.777 per Security on 12 June 2018;*
- a discount of 0.4% to the closing price of Gateway Securities on 17 August 2018, being the last practicable trading day prior to the date of this Target's Statement.



Note: *Trading prices and VWAPs have been reduced for the $0.0535 distribution per Gateway Lifestyle Stapled Security announced on 22 June 2018

2.3 The all-cash Offer provides certainty of value for your Gateway Securities

Hometown's Offer provides Gateway Securityholders with the certainty of receiving $2.25 per Security in cash, which must be weighed against the risks associated with remaining a Gateway Securityholder. There are inherent risks in delivering on the development of Gateway's asset portfolio, as set out in Section 8 of this Target's Statement.

2.4 No superior proposal has emerged as at the date of this Target's Statement

On 21 June 2018, Gateway announced that it had received a proposal from Brookfield, which contemplated an offer for Gateway, with consideration of $2.2465. As at the date of this Target's Statement, discussions between Gateway and Brookfield have ceased.

In addition to interest from Brookfield and Hometown, other third parties have held discussions with Gateway in relation to putting a proposal to Gateway Securityholders. However, there is no certainty that any proposal will be forthcoming.

As at the date of this Target's Statement, no proposal has emerged that your Directors consider to be superior to Hometown's Offer, although there remains the possibility that a third party may make a superior proposal before the close of the Offer Period.

Were Gateway to receive a competing proposal, the Directors would need to consider all aspects of the proposal in determining whether it is superior to Hometown's Offer.

2.5 The trading price of Gateway Securities may fall if Hometown's Offer is unsuccessful

If Hometown's Offer is not successful and no alternative proposal emerges at the same price as Hometown's Offer Price or with a superior price, the trading price of Gateway Securities may fall to a level lower than Hometown's Offer Price.

2.6 If Hometown acquires a controlling interest, there may be potentially adverse consequences for remaining Gateway Securityholders

Hometown's Offer has a 50% minimum acceptance condition.

If Hometown acquires between 50% and 90% of Gateway Securities under the Offer, Gateway Securityholders will become minority Securityholders in a Gateway controlled by Hometown.

In these circumstances:

- **Hometown control of Gateway:** Hometown will be in a position to cast the majority of votes at a general meeting of Gateway. This will enable it to control the composition of GLOL's board and management, potentially seek to remove or replace OMIFL as responsible entity, review Gateway's distribution policy and control the strategic direction of Gateway's business.

  If Hometown acquires 75% or more of the Gateway Securities, it will be able to pass special resolutions, including, among other things, to change Gateway's constitutions.

  Hometown has stated in the Bidder's Statement that it intends to conduct a strategic review of Gateway's business.

  - To the extent Hometown changes Gateway's management after reaching control, Gateway may not be able to execute its current strategy and business plan.
  - Gateway's business mix may change under the management of Hometown and Hometown may determine that some of Gateway's assets should be divested on completion of its review.
  - Hometown may be unwilling to support Gateway's acquisition of additional assets, preferring that they be acquired by other members of the Hometown Group.

  – Hometown intends to review Gateway's distribution policy having regard to any capital funding requirements of Gateway identified in its strategic review.

  These changes may adversely affect Gateway's distributions and the value of Gateway Securities.

- **Reduced liquidity:** The trading liquidity of Gateway Securities may be reduced and Gateway could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and liquidity. This may reduce the market price of Gateway Securities.
- **Loss of premium for control:** Once Hometown has control, it is unlikely that the Gateway Security price will carry any potential premium for control, and accordingly, the Security price may fall immediately following the end of the Offer Period.
- **Potential delisting:** Hometown has stated in the Bidder's Statement that if it acquires a relevant interest in at least 75% of Gateway's Securities but less than 90%, it intends to cause Gateway to apply to be removed from the official list of ASX.

  ASX guidance indicates that the usual conditions the ASX would expect to be satisfied to delist Gateway following a successful takeover bid are:

  – Hometown owns or controls at least 75% of the Gateway Securities and the Offer Period has remained open for at least two weeks after Hometown attained ownership or control of at least 75% of the Securities; and

  – fewer than 150 Gateway Securityholders (other than Hometown) have holdings with a value of at least $500.

  In this situation, the ASX may approve delisting without requiring a Gateway Securityholder vote.

  The ASX may also delist Gateway if Gateway Securityholders approve delisting. Where such removal is sought more than 12 months after the close of the Offer, Hometown would be entitled to vote on the resolution approving the removal.

  There are potential disadvantages of delisting, including:

  – Gateway's ASX listing provides a way for Gateway Securityholders to sell their Securities. Once Gateway has been delisted from ASX, Securityholders' opportunities to realise their Securities will be substantially constrained;

  – Gateway would not be subject to the continuous disclosure requirements under the ASX Listing Rules. Gateway may still be required to disclose material information on its website and/or to ASIC if following delisting it had at least 100 members, however the level of reporting in these circumstances could be diminished; and

  – Various other protections for Gateway Securityholders under the ASX Listing Rules would cease to apply, including restrictions relating to issues of new Securities, related party transaction restrictions and requirements to seek Securityholder approval for significant changes to the nature or scale of Gateway's activities.

- **Tax losses:** GLOL has carried forward tax losses which are available to be utilised in future income years. To the extent that Hometown receives acceptances to take its holding of Gateway Securities above 50% and below 100%, it is likely that GLOL will fail the continuity of ownership test, which means that GLOL may not be able to utilise its carried forward tax losses unless it satisfies the same business test during the relevant period.

- **MIT status of RPT2:** In certain circumstances, if Hometown acquires a sufficiently high percentage of Gateway Securities, as a consequence of the ownership structure of Hometown, RPT2 may cease to satisfy the requirements to be a managed investment trust (**MIT**) in respect of the income tax year ending 30 June 2019 and future years. Consequently, distributions made by RPT2 in relation to the year ending 30 June 2019 will be subject to non-resident withholding tax which may be higher than the MIT withholding tax rate (see section 11.3(b) of this Target's Statement). This may have an adverse effect on the tax treatment of RPT2, its distributions going forward and the trading price of Gateway Securities.

Even if Hometown does not receive sufficient acceptances to take its holding of Gateway Securities above 50%, Hometown may decide that it will hold a sufficiently large stake to effectively control Gateway and may waive outstanding conditions to the Offer and acquire that stake. This may have some of the same consequences for those Gateway Securityholders who do not accept Hometown's Offer as are outlined above in relation to acquisition by Hometown of majority control.

3 Reasons for not accepting Hometown’s Offer

You may wish to not accept Hometown’s Offer as it currently stands for a number of reasons, including the following.

3.1 Considerations in relation to conditionality of Hometown’s Offer

As at the date of this Target’s Statement, the Offer remains highly conditional. See section 6.3 of this Target’s Statement for a list of the conditions.

Accordingly, Gateway Securityholders who accept Hometown’s Offer while it remains conditional have no certainty that they will receive the Offer Price. The Offer Price will not be paid to accepting Securityholders until the earlier of one month after the Offer has been declared unconditional and (if the Offer has become unconditional) 21 days after the end of the Offer Period.

Gateway Securityholders who accept Hometown’s Offer will only have limited rights to withdraw their acceptance of the Offer, see section 6.8 of this Target's Statement.

Unless they are able to withdraw their acceptance, Gateway Securityholders who have accepted Hometown’s Offer will not be able to sell their Securities on the ASX or accept another offer should a superior proposal emerge.

Gateway Securityholders may wish to delay acceptance of Hometown’s Offer until such time as Hometown waives or otherwise declares the Offer free from some or all of the conditions to which Hometown’s Offer is subject.

Hometown must promptly publish notice of conditions that are satisfied or waived. Hometown must also announce on the ASX the status of the conditions to which Hometown’s Offer is subject between 14 and 7 days before the end of the Offer Period. Currently, unless Hometown extends the Offer Period, it will announce the status of conditions on 31 August 2018.

In addition, a number of the conditions in Hometown’s Offer may adversely affect Gateway Securityholders by constraining Gateway from pursuing opportunities and implementing business strategies during the Offer Period which are designed to enhance the value of Gateway Securities.

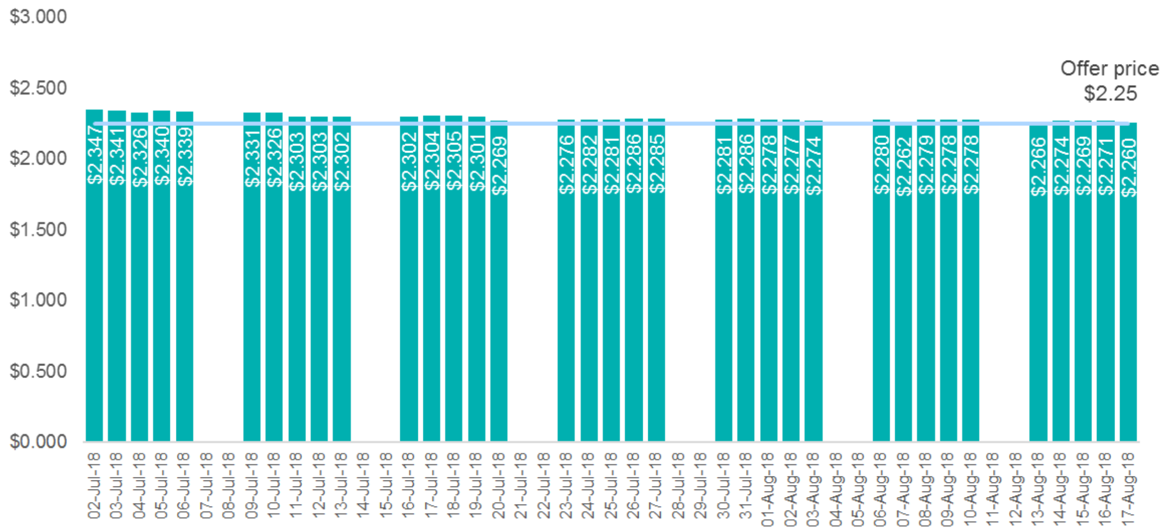
Gateway has decided to delay implementation of changes to its current financing arrangements, as to do so would trigger a condition of Hometown's Offer. However, if Hometown has not obtained control of Gateway by 10 September 2018, the current scheduled end of the Offer Period, Gateway proposes to implement the refinancing. See section 7.6 of this Target's Statement for more information about the proposed changes to Gateway’s financing.

3.2 You may want to sell your Gateway Securities on market

You may wish to realise your investment in Gateway through sale on the ASX if you expect proceeds may be higher.

At times during the period between the date Hometown’s proposal was initially announced on 2 July 2018 and the date of this Target’s Statement, Gateway Securities have traded at prices higher than the Offer Price of $2.25.

Daily VWAP since announcement of takeover offer on 2 July 2018



If you elect to sell your Gateway Securities on market, you:

- will be paid within 2 days of the sale;
- may incur brokerage;
- will lose the ability to accept Hometown's Offer or any other offer which may eventuate;
- will not be entitled to receive any increased consideration if Hometown subsequently increases the Offer Price; and
- may not obtain sufficient buyers to complete a trade above the Offer Price of $2.25 per Gateway Security (including because Gateway Securities may be affected by reduced liquidity).

3.3 You may consider there is potential for a superior proposal to emerge in the foreseeable future

If you accept Hometown's Offer early, subject to certain limited withdrawal rights (as described in section 6.8 of this Target's Statement), or subject to Hometown's Offer lapsing without the conditions to the Offer being satisfied or waived, you will not be able to accept any superior offer from a third party, should one emerge.

In addition to interest from Brookfield and Hometown, other third parties have held discussions with Gateway in relation to putting a proposal to Gateway Securityholders. However, there is no certainty that any proposal will be forthcoming.

A superior proposal for Gateway could emerge in the future, although, as at the date of this Target's Statement, no alternative proposal which is capable of acceptance by Gateway Securityholders has been received. Nevertheless, there remains the possibility that a third party may make a superior proposal before the end of the Offer Period.

The Directors will consider any alternative proposal in order to maximise value for Gateway Securityholders. As at the date of this Target's Statement, Gateway has not entered into any arrangements that would prevent your Directors from considering or proceeding with alternative proposals.

On 16 August 2018, Hometown declared that the offer price of $2.25 is its best and final offer and will not be increased in the absence of a Competing Proposal.

3.4 You may wish to remain a Gateway Securityholder

If you accept Hometown's Offer, you will no longer be entitled to participate in the future financial performance of Gateway (including distributions) or exercise the rights of a Gateway Securityholder.

3.5 You may believe that Hometown's Offer Price is inadequate

You may hold a different view to the Directors and the Independent Expert and believe that Hometown's Offer Price of $2.25 is inadequate.

4 Directors' recommendation

4.1 Directors of Gateway

As at the date of this Target's Statement, the directors of Gateway are:

GLOL

SALLY LOUISE EVANS	Director, GLOL
ANDREW JAMES FAY	Director, GLOL
RACHEL ANNE LAUNDERS	Director, GLOL
ANDREW JOHN LOVE	Director, GLOL
STEPHEN ERIC NEWTON	Director, GLOL
TRENT ALEXANDER OTTAWA	Director, GLOL

OMIFL

JUSTIN KURT EPSTEIN	Director, OMIFL
ELIZABETH REDDY	Director, OMIFL
FRANK JOHN TEARLE	Director, OMIFL

4.2 Independent Expert's Report

In order to assist with assessment of Hometown's Offer, the Directors engaged Grant Samuel & Associates Pty Limited as independent expert to undertake an independent assessment of the Offer.

A copy of the Independent Expert's Report is attached in Attachment 1 to this Target's Statement. The Directors recommend that you read the report in full.

The Independent Expert has concluded that the Offer is fair and reasonable to the Non-Associated Securityholders.

4.3 Alternatives to Hometown's Offer

The Directors also considered alternative options in order to maximise value for Gateway Securityholders. These included the potential for alternative offers for Gateway.

As at the date of this Target's Statement, no proposal has emerged that your Directors consider to be superior to Hometown's Offer, although, there remains the possibility that a third party may make a superior proposal before the close of the Offer Period.

4.4 Directors' recommendation

The Directors recommend that Gateway Securityholders accept Hometown's Offer, in the absence of a superior proposal. However, Securityholders should have regard to the outstanding conditions of Hometown's Offer in deciding when to accept.

The Directors have reached this conclusion on balance after weighing up the reasons why Securityholders should accept the Offer set out in section 2 of this Target's Statement and the reasons for not accepting the Offer set out in section 3 of this Target's Statement.

The decision as to whether or not to accept Hometown's Offer depends on the circumstances for each individual Gateway Securityholder, including risk profile, portfolio strategy, tax position, financial circumstances and investment time horizon.

In considering whether or not to accept Hometown's Offer, your directors encourage you to:

- read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider whether to delay accepting until the conditionality of Hometown's Offer is reduced as outlined in section 3.1 of this Target's Statement;
- consider the alternative of selling on the ASX as outlined in section 3.2 of this Target's Statement; and
- obtain financial advice from your broker or financial adviser upon the Offer and obtain taxation advice on the effect of accepting the Offer.

4.5 Directors' intentions in relation to Hometown's Offer

Each Director who owns or controls Gateway Securities intends to accept Hometown's Offer in relation to the Gateway Securities they own or control, in the absence of a superior proposal, and once they are confident that all the conditions to Hometown's Offer are likely to be satisfied or waived. This includes Hometown acquiring a relevant interest of over 50% of all the Gateway Securities on issue.

Details of the relevant interests of each Gateway director in Gateway Stapled Securities are set out in section 9.1 of this Target's Statement.

5 Your choices as a Gateway Securityholder

5.1 Your choices

As a Gateway Securityholder you have three choices currently available to you:

(a) Accept Hometown's Offer

Gateway Securityholders may elect to accept Hometown's Offer. Details of the consideration that will be received by Securityholders who accept the Offer are set out in section 6.2 of this Target's Statement and in the Bidder's Statement.

Hometown's Offer is open for acceptance until 7:00pm Sydney time on 10 September 2018, unless it is extended or withdrawn (sections 6.5 and 6.6 of this Target's Statement describe the circumstances in which Hometown can extend or withdraw the Offer).

Securityholders who accept the Offer may be liable for CGT on the disposal of their Securities (see section 10 of this Target's Statement). However, you will not incur any brokerage.

The Bidder's Statement contains details of how to accept Hometown's Offer on page 3.

(b) Sell your Gateway Securities on market

Gateway Securityholders who have not already accepted Hometown's Offer can still sell your Gateway Securities on market for cash.

On 17 August 2018 Gateway's security price closed at $2.26, a 0.4% discount to Hometown's Offer Price of $2.25 per Security. The latest price for Gateway Securities may be obtained from the ASX website www.asx.com.au.

Securityholders who sell their Securities on market may be liable for CGT on the sale (see section 10 of this Target's Statement) and may incur brokerage. Gateway Securityholders who wish to sell their Securities on market should contact their broker for information on how to effect that sale.

(c) Do not accept Hometown's Offer

Gateway Securityholders who do not wish to accept Hometown's Offer or sell their Gateway Securities on market should do nothing.

If Hometown and its associates have a relevant interest in at least 90% of Gateway's Securities during or at the end of the Offer Period, Hometown will be entitled to compulsorily acquire the Securities that it does not already own (see section 6.12 of this Target's Statement).

5.2 Taxation consequences

The taxation consequences of accepting the Offer or selling Securities on market depend on a number of factors and will vary depending on your particular circumstances. Outlines of the Australian taxation considerations of accepting Hometown's Offer are set out in section 10 of this Target's Statement and section 7 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting Hometown's Offer or selling Securities on market. The outlines provided in this Target's Statement and the Bidder's Statement are of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

5.3 Distribution entitlements and other rights

Gateway Securityholders who were registered holders of Securities on 29 June 2018 will be entitled to receive a distribution of 5.35c per Security (for each Security of which they were registered holder on 29 June 2018) in respect of the six-month period to 30 June 2018, whether or not they accept Hometown's Offer. The June 2018 Distribution is scheduled to be paid on 28 September 2018. The 5.35c distribution will be paid in addition to the Offer Price of $2.25 per Security.

Otherwise, apart from the June 2018 Distribution, by accepting Hometown's Offer, Gateway Securityholders transfer to Hometown all the rights attached to their Securities. Hometown will be entitled to all distributions or entitlements declared, paid, made or issued by Gateway, or which arise or accrue, after 2 July 2018 in respect of the Gateway Securities that the Hometown acquires pursuant to the Offer.

If you become entitled to receive distributions or other entitlements other than the June 2018 Distribution (for example, a distribution for the six-month period ending 31 December 2018) because you have not yet accepted the Offer but subsequently do so, the amount of such distributions or entitlements will be credited towards your entitlement to receive the Offer Price. The amount that Hometown has to pay you is consequently reduced by the amount of such distributions or entitlements.

6 Hometown and Hometown's Offer

6.1 Hometown

Information about Hometown and its ownership and principal activities is set out in section 3 of the Bidder's Statement.

Information about Hometown's intentions for the Gateway business is set out in section 5 of the Bidder's Statement.

6.2 Background to Hometown's Offer

On 12 June 2018, Gateway received an indicative, non-binding proposal from Hometown to acquire 100% of the Securities of Gateway at an indicative price of $2.0465[5,6] per Security by the way of schemes of arrangement (expressed on an 'ex distribution' basis for comparability purposes).

As part of the proposal, Hometown indicated that it had also entered into pre-bid agreements with four Gateway Securityholders under which it had acquired a relevant interest in 17.7% of Gateway's issued Securities (details of which were announced on the ASX on 13 June 2018).

A number of developments followed this, including:

(i) **Brookfield proposal:** On 21 June 2018, Gateway advised it had received an indicative and non-binding proposal from Brookfield Property Group (together with affiliates and managed funds) (**Brookfield**) to acquire 100% of Gateway's issued Securities at an indicative price of $2.2465[7] per Security by way of either schemes of arrangement or recommended takeover bid (expressed on an 'ex distribution' basis for comparability purposes). Brookfield was granted due diligence on an exclusive basis pursuant to the terms of an exclusivity agreement.

(ii) **Revised Hometown Offer:** On 25 June 2018, Gateway announced that it received a revised confidential, indicative and non-binding proposal from Hometown at an indicative price of $2.2965[8] per Security by way of scheme of arrangement (expressed on an 'ex distribution' basis for comparability purposes). Hometown also indicated that it had increased its relevant interest in Gateway's issued Securities to 18.2%.

(iii) **Hometown takeover bid:** On 2 July 2018, Hometown announced a conditional, off-market takeover bid for all the Securities of Gateway at $2.25[9] per Security with proposal to lift to $2.30[5] per Security (expressed on an ex distribution for

[5] Per the ASX release on 13 June 2018, the original Hometown Proposal was at a price of $2.10 which would be reduced by the value of any distributions after the date of the Proposal.

[6] Per ASX release on 22 June 2018, Gateway announced a distribution of 5.35cps with an ex date of 29 June 2018.

[7] Per ASX announcement on 21 June 2018, the Brookfield proposal was at a price of $2.30 which would be reduced by the value of any distribution after the date of the proposal (including the distribution of 5.35c for the period ending 30 June 2018).

[8] Per ASX announcement on 25 June 2018, the revised Hometown offer was at a price of $2.35 which would be reduced by the value of any distribution after the date of the proposal.

[9] Per ASX announcement on 21 July 2018, the Hometown takeover bid entitled Gateway Securityholders to retain the 5.35c distribution announced on 22 June 2018.

comparability purposes) upon execution of bid implementation agreement on terms satisfactory to Hometown.

(iv) **Conditional price increase not on acceptable terms:** On 10 July 2018, Gateway announced that the Directors were not prepared to accept the bid conditions and other provisions of Hometown's bid implementation agreement that constrained its ability to maximise value and provide certainty for Gateway Securityholders. The Directors advised that they would continue to engage with all interested parties.

As at the date of this Target's Statement, discussions between Gateway and Brookfield have ceased.

In addition to interest from Brookfield and Hometown, other third parties have held discussions with Gateway in relation to putting a proposal to Gateway Securityholders. However, there is no certainty that any proposal will be forthcoming.

6.3 Conditions to Hometown's Offer

Hometown's Offer is subject to a number of conditions. Those conditions are set out in full in Appendix 2 of the Bidder's Statement.

By way of broad overview, the outstanding conditions to the Offer as at the date of this Target's Statement are:

(a) (**Minimum acceptance**) During, or at the end of, the Offer Period, Hometown and its related entities have relevant interests in more than 50% of all the Gateway Securities on issue.

(b) (**FIRB approval**) Hometown receives approval from FIRB for the acquisition of Gateway Securities under the Offer, such approval being unconditional or subject to conditions acceptable to Hometown.

(c) (**Other regulatory approvals**) All regulatory approvals required by Hometown are obtained.

(d) (**Conduct of business**) From 2 July 2018 to the end of the Offer Period, Gateway's business and the business of its subsidiaries (considered in aggregate) is carried on in the ordinary course with any transactions occurring on an arms' length basis, except as approved by Hometown.

(e) (**No material adverse event**) No event, action, proceeding, circumstance or change in circumstance that (individually or with others) has or is reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability, future prospects of Gateway and its subsidiaries taken as a whole, occurs on or after 2 July 2018 or happens, is announced, disclosed or otherwise becomes known to Hometown between 2 July 2018 and the end of the Offer Period.

(f) (**No issue of Securities**) Between 2 July 2018 and the end of the Offer Period:

- no securities are issued (including Securities) other than an issue of Securities on the vesting of Security Appreciation Rights or Security Rights in accordance with the disclosed terms of the relevant rights as at 2 July 2018; and
- no Security Appreciation Rights, Security Rights or other incentives are granted or issued under the Equity Incentive Plan or any other incentive plan.

(g) (**No material change to personnel expenses**) Between 2 July 2018 and the end of the Offer Period, Gateway makes no change to the fees, costs, expenses or benefits payable or granted to its personnel except in the ordinary course of business.

(h) (**No Prescribed Occurrences**) Between 2 July 2018 and the end of the Offer Period, no Prescribed Occurrence occurs.

(i) (**No material acquisitions, disposals, commitments, etc.)**

Until the end of the Offer Period, Gateway must not (other than with Hometown's prior consent) enter into, offer to enter into, incur or bring forward the time for performance of an obligation or arrangement:

- to acquire an asset for consideration of, or with a value greater than $30 million;
- to dispose of an asset for an amount, or in respect of which the book value is greater than $30 million;
- for services or the supplies of goods or services where the aggregate financial liability of Gateway in respect of those services is greater than $4 million or the term of the arrangement exceeds and cannot be terminated within 12 months;
- to enter into, terminate, materially amend or waive any agreement or arrangement, pursuant to which Gateway is reasonably likely to incur a liability of more than $4 million in any one year, other than:
  – in the ordinary course of Gateway's business; and
  – if the agreement or arrangement may be terminated by Gateway on no more than 30 days' notice without any penalty or payment,

other than as fully disclosed to the ASX before 2 July 2018.

(j) (**Financing**) Gateway does not:

- breach any covenants, allow an event of default to occur, make any misrepresentations or rely on any waiver of those things under its financing arrangements; or
- allow an obligation to pay any amount to be accelerated or permanently reduce the amount of debt ahead of a maturity date.

(k) (**No change in laws**) No legislation not in force or in effect on 2 July 2018 comes into force or effect, and no change occurs to any law or interpretation of law or policy or administrative practice of any regulatory authority that would materially increase the costs for Hometown of the Offer by more than $5 million.

(l) (**No change in accounting policies**) There is no change to the accounting policies of Gateway as at 2 July 2018 other than required by the law or the relevant Australian Accounting Standards.

(m) (**No change in management arrangements**)

- Gateway does not enter into or amend any contract or commitment which relates to the provision of investment management, administration or related services to Gateway or any subsidiary; and
- none of the following occur:
  – OMIFL ceases to be the responsible entity of RPT2 or actions are taken to commence this process;

- OMIFL (or any of its representatives) doing, or failing to do, anything that could restrict OMIFL's right to indemnity from the assets of RPT2;
- OMIFL (or any of its representatives) effects or facilitates the termination, resettlement or winding up of RPT2 or the deregistration of RPT2 as a managed investment scheme; and
- the trustee of any sub-trust does anything analogous to the items set out above.

(n) (**No untrue statements**) Hometown does not become aware of any statement that is untrue or misleading in any material respect in any document filed by or on behalf of Gateway with ASX.

(o) (**No regulatory action**) there is no decision, order or decree issued, no action or investigation announced, commenced or threatened by a regulatory authority relating to the Offer which threatens to restrain, prohibit or impede or otherwise materially adversely impact on the Offer.

(p) (**Non-existence or exercise of certain rights**) No third party has or exercises any rights as a result of any change of control event in respect of Gateway to:

- terminate, alter or demand payment of an amount no less than $10 million under any of Gateway's material contracts;
- require the termination, modification or disposal of any material asset; or
- accelerate or adversely modify the nature or performance of any material obligations of Gateway under any material contract (other than any banking facility).

(q) (**No break fees**) Gateway must not agree to pay a break fee in respect of a competing proposal.

As at the date of this Target's Statement, Gateway is not aware of any act, omission or event having occurred that would result in any of the conditions to the Offer being triggered.

6.4 Notice of status of conditions

Section 8 in Appendix 1 (Terms of the Offer) of the Bidder's Statement states that Hometown will give a notice of status of conditions to the ASX and Gateway on 31 August 2018.

Hometown is required to set out in its notice of status of conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as Hometown knows, any of the conditions have been fulfilled; and
- Hometown's voting power in Gateway.

If the Offer Period is extended by a period before the time by which the notice of status of conditions is to be given, the date for giving the notice will be taken to be postponed for the same period. In that case, Hometown is required, as soon as practicable after the extension, to give a notice to the ASX and Gateway that states the new date for the giving of the notice of status of conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the bid period but before the date on which the notice of status of conditions is required to be given, Hometown must, as soon as practicable, give the ASX and Gateway a notice that states that the particular condition has been fulfilled.

6.5 Offer Period and extending the Offer Period

Unless Hometown’s Offer is extended or withdrawn, it is open for acceptance from 8 August 2018 until 7.00pm Sydney time on 10 September 2018.

Hometown may extend the Offer Period at any time before the end of the Offer Period. However, if the Offer remains subject to conditions, Hometown will not be able to extend the Offer after it gives the notice of the status of conditions unless:

- another person announces or makes a takeover bid for Gateway;
- another person lodges a bidder's statement with ASIC in respect of a takeover bid for Gateway; or
- the consideration under a competing takeover bid for Gateway is improved.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- Hometown improves the consideration offered under the Offer; or
- Hometown’s voting power in Gateway increases to more than 50%.

If either of these 2 events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

6.6 Withdrawal of Hometown’s Offer

Before you accept the Offer, Hometown may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

6.7 Effect of acceptance

By way of summary, when you accept the Offer, you will be deemed to have (among other things):

- assigned all of your beneficial interest in your Gateway Securities to Hometown and agreed to transfer your Gateway Securities to Hometown (subject to the offer becoming unconditional and a valid contract in respect of your shares arising);
- authorised and directed Gateway to account for or pay to Hometown all rights in respect of your Gateway Securities;
- from the date on which the offer is declared unconditional, appointed Hometown as your attorney to exercise all of the powers and rights associated with your Gateway Securities, including the right to attend and vote at Securityholder meetings.

Further information about the effect of acceptance of Hometown’s Offer is set out in section 11 of Appendix 1 (Terms of the Offer) of the Bidder’s Statement. Gateway Securityholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Securities and the representations and warranties which they give by accepting of the Offer.

6.8 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if:

- Hometown's FIRB Condition has not, at the time of your withdrawal, been fulfilled; or
- Hometown varies the Offer in a way that postpones, for more than one month, the time when Hometown needs to meet its obligations under the Offer. This will occur if Hometown extends the Offer Period by more than one month and the Offer is still subject to conditions.

6.9 When you will receive your consideration if you accept the Offer

In the usual case, you will be paid your consideration on or before the later of one month after the date:

- the Offer becomes or is declared unconditional; or
- you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the payment of consideration. Full details of when you will be paid your consideration are set out in section 13 of Appendix 1 (Terms of the Offer) of the Bidder's Statement.

6.10 Effect of an improvement in Offer Price

If Hometown improves the Offer Price under the Offer, all Gateway Securityholders, whether or not they have accepted the Offer before that improvement in the Offer Price, will be entitled to the benefit of that improved Offer Price.

On 16 August 2018, Hometown announced that the Offer Price of $2.25 is Hometown's best and final offer and will not be increased in the absence of a Competing Proposal.

This means that, unless a Competing Proposal is announced, Hometown will not increase the Offer Price from $2.25.

6.11 Lapse of Offer

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Gateway Securities as you see fit.

6.12 Compulsory acquisition

Hometown has indicated in section 5.3 of its Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding Gateway Securities.

Hometown will be entitled to compulsorily acquire any Gateway Securities in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- Hometown and its associates have a relevant interest in at least 90% (by number) of the Gateway Securities; and
- Hometown and its associates have acquired at least 75% (by number) of the Gateway Securities that Hometown offered to acquire (excluding Gateway Securities in which Hometown or their associates had a relevant interest at the

date of the Offer and also excluding Gateway Securities issued to an associate of Hometown during the Offer Period).

If this threshold is met, Hometown will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Gateway Securityholders who have not accepted the Offer. Gateway Securityholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Securityholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Gateway Securities. If compulsory acquisition occurs, Gateway Securityholders who have their Gateway Securities compulsorily acquired are likely to be paid their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that Hometown will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Gateway Securities. Hometown would then have the right to compulsorily acquire Gateway Securities not owned by it within 6 months of becoming the holder of 90% of the Gateway Securities. Hometown's price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

7 Information about Gateway

Gateway commenced operation in 2009 and listed on the ASX in June 2015.

Gateway has become the largest owner and operator of residential land lease communities in Australia.

Gateway provides affordable living solutions to Australia's ageing population and continues to inspire a better lifestyle for over 10,000 residents who call a Gateway community home.

7.1 Group structure

Gateway Securities are quoted on the ASX under the code GTY and each Security comprises of one unit in RPT2 and one share in GLOL. The unit and share are stapled together and cannot be traded separately.

RPT2 is a registered managed investment scheme. OMIFL was appointed as the responsible entity for RPT2 on 12 May 2015. Under a service agreement, GLOL has undertaken to provide a range of services to OMIFL in respect of the management of RPT2.

7.2 Gateway's portfolio

Gateway is Australia's largest owner and operator of residential land lease communities. As at 30 June 2018 the portfolio of Gateway consists of 58 residential land lease communities, comprising approximately 7,180 occupied long term occupied sites, 1,447 development sites and 981 short term sites providing a stable recurring income stream of $55.2m.

Gateway focuses on operating and developing residential land lease communities in Australia. It generates income through three primary sources:

- rental income that predominantly consists of long-term site rental income which provides non-seasonal and recurring cash flows;
- new home sale income that is earned through the sale of new homes to residents; and
- rental income derived from the operation of short term tourist sites and ancillary income derived from sales commissions from the sale of pre-owned homes, utility recharges and other sundry items.

The property portfolio is geographically diversified across New South Wales, the Australian Capital Territory, Queensland, Victoria and South Australia, with a fully integrated and established management team responsible for managing the portfolio.

7.3 Gateway's offering

Gateway communities offer a lifestyle to senior Australians that provides affordable community living with a sense of connection and social interaction. The residential land lease model provides residents with an option to live in a home they own, with the purchase price of a home generally lower than traditional housing options. Long term residents will also pay a site fee for use of the site on which their home is located.

While the residential land lease communities owned and operated by Gateway are predominantly exclusively for permanent residents, some include tourism and short-term sites (also known as mixed use or conversion projects).

The fundamentals of the Gateway offering for residents include:

- affordable home ownership;
- low maintenance living;
- security of tenure;
- simple contracts with no entry or exit fees;
- sustainable rents; and
- independent community living.

Residential land lease living, and Gateway, is influenced by an ageing population and housing affordability trends and as such is subject to consumer preferences. Gateway expects that demand for residential land lease communities will trend toward purpose-built residential land lease communities, rather than mixed use or conversion projects.

Gateway's strategy for development and acquisition activity is increasingly focussed on purpose-built residential land lease communities, including greenfield development projects. Greenfield development projects provide the opportunity to deliver communities that focus on ageing in a place with facilities that meet the longer term potential needs of residents.

7.4 Gateway's strategy

Gateway's strategy is to create Australia's largest portfolio of residential land lease communities inspiring an independent and active lifestyle for people aged over 50.

The long-term value drivers of the business that deliver Securityholder value are:

- organic long-term rental revenue growth;
- incremental long term rental revenue growth from new home sales;
- operational and organisational effectiveness;
- development and acquisition opportunities;
- portfolio enhancement; and
- the increasing population of people aged over 50.

Gateway's long term strategy includes the following targets:

- 10,000 long-term occupied sites;
- Rental growth of 3 to 5% per annum;
- Circa 250 settlements on average per annum; and
- Acquisition of 200-300 long-term occupied sites annually.

7.5 FY18 financial information

On 20 August 2018, Gateway released its annual financial results for the period ending 30 June 2018 to the ASX.

The FY18 financial results and FY18 Appendix 4E and annual financial report can be obtained free of charge from Gateway's website at www.gatewaylifestyle.com.au or by contacting LINK Market Services on (+61) 1300 554 474 or at registrars@linkmarketservices.com.au.

Key financial and operating metrics for the year ending 30 June 2018, include:

- Distributable earnings of $40.7 million, an increase of 2.9% (30 June 2017: $39.6 million);
- 7,180 long-term occupied sites (30 June 2017: 6,539);
- Average weekly rent per long-term site of $147.9 per week, an increase of 3.9% (30 June 2017: $142.4);
- Annualised long-term rent of $55.2 million (30 June 2018: $48.4 million);
- 236 home settlements (30 June 2017: 241) and 60 committed sales (30 June 2017: 83);
- Average profit per home settlement of $106,000 (30 June 2017: $105,000);
- 98 display homes available for sale and a further 45 display homes under construction on site as at 30 June 2018;
- Acquisition of two operating RLLCs in South Australia for $45.0 million, excluding transaction costs;
- Two greenfield acquisitions for purpose-built RLLCs in Yarrawonga, Victoria and Evans Head, New South Wales; and
- Asset recycling program to improve the quality of the portfolio, with the divestment of Rainbow Waters, Bass Hill and Acacia Ponds and due diligence well progressed on two additional non-core communities.

Since 30 June 2018 the following changes to the portfolio have occurred:

- Settlement of the sale of the Bass Hill community on 4 July 2018; and
- An unconditional contract of sale was exchanged in relation to sale of the Acacia Ponds community, with settlement expected in September 2018.

The two divestments transaction values were consistent with book values as at 30 June 2018.

7.6 Proposed financing changes

In March 2018 Gateway commenced discussions with its financiers to extend the total amount available under its current debt facility from $280 million to $350 million. Discussions progressed to a stage where terms were substantially agreed and Gateway initially planned to implement the financing changes on 30 June 2018. Having regard to the corporate activity that was occurring in the lead up to 30 June 2018, implementation of the financing changes was paused.

If Gateway were to proceed with the refinancing during the Offer Period, certain conditions to Hometown's Offer may be triggered. Gateway has written to Hometown formally requesting that it waive the conditions to the extent needed to facilitate the financing changes on the basis that they are in the interests of Gateway Securityholders. However, as at the date of this Target’s Statement, Hometown has not granted the requested waiver.

The Directors still consider that proceeding with the refinancing is in the interest of Gateway Securityholders. Accordingly, Gateway is currently proposing to proceed with implementation of the financing changes on or about 14 September 2018 (being after the initial end date for the Offer of 10 September 2018 which was specified by Hometown in the Bidder’s Statement), unless by that date Hometown has acquired a relevant interest in more than 50% of all the Gateway Securities and all of the other conditions to Hometown’s Offer have been either satisfied or waived, or the Directors are satisfied that effective control of Gateway has otherwise passed to Hometown.

7.7 Distributions

Gateway's distributions are currently paid on a six-monthly basis and relate to the half years ending 30 June and 31 December. The June distribution is paid in September and the December distribution is paid during March. In May 2017, the Group announced it had adopted a Distribution Reinvestment Plan and it operated for the 2H17 and 1H18 distributions. On 22 June 2018 the operation of the Distribution Reinvestment Plan was suspended for the 2H18 distribution and until further notice.

Gateway's distribution policy is to pay out approximately 65% to 85% of distributable earnings on a semi-annual basis. Distributable earnings is a proxy for cash available for distribution, being NPAT adjusted for non-cash items and one-off and nonrecurring items. The level of distribution payout ratio varies between periods depending, amongst others, on the factors noted above. See section 5.3 of this Target's Statement for information about the treatment of distributions under Hometown's Offer.

7.8 Publicly available information about Gateway

Gateway is a listed "disclosing entity" for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed entity, Gateway is subject to the listing rules of ASX which require continuous disclosure of any information Gateway has concerning it that a reasonable person would expect to have a material effect on the price or value of its Securities (subject to some exceptions).

The ASX maintains files containing publicly disclosed information about all listed entities. Gateway's files are available for inspection on the ASX website (www.asx.com.au). In addition, Gateway is required to lodge various documents with ASIC. Copies of documents lodged with ASIC in respect of Gateway may be obtained from, or inspected at, an ASIC office.

A substantial amount of information about Gateway is available in electronic form on its website www.gatewaylifestyle.com.au.

8 Risks

8.1 Risks of holding Gateway Securities

There are risks which are specific to Gateway and other risks which apply to investments generally, which may materially and adversely affect the future operating and financial performance of Gateway and the value of Gateway Securities. Those risks (and other risks) will continue to be relevant to Gateway Securityholders who do not accept the Offer and retain their current investment in Gateway. These risks will also continue to be relevant to all Gateway Securityholders if the Offer does not proceed. While some of these risks can be mitigated, some are outside the control of Gateway and cannot be mitigated.

During FY18, Gateway reviewed its risk management framework and formally adopted a revised risk management policy which can be found on the Corporate Governance page of the Gateway website (www.gatewaylifestyle.com.au).

As a Gateway Securityholder, you are already exposed to certain general risks associated with your investment in Gateway. The principal risks associated with an investment in Gateway include the following:

- **Market Risk**: Gateway is exposed to fundamental risks in the real estate market. This can be affected by many factors including significant changes to the macro-economic and regulatory environment which impacts Gateway's ability to meet strategic objectives, including sales targets. The cyclical nature of the property market can adversely impact asset valuations, timing of settlements and investor confidence.
- **Regulatory Environment Risk**: Changes in laws, regulations and the general regulatory environment can impact Gateway. Regulatory and compliance arrangements apply to Gateway and breaches may adversely impact the value of Gateway Securities.
- **Development Risk**: Risks involved with any developments which may be undertaken by Gateway, including delays in the planning and construction of Gateway communities (including due to weather), timing of settlements and failure to acquire sites which can be developed and operated profitably.
- **Finance Risks**: Gateway's ability to comply with covenants in its debt facilities (including gearing or interest cover ratios) and to refinance or repay its debt facilities as they fall due. Finance risks are impacted by numerous factors, most notably market conditions (including, for example, a decline in property values or reduction of rental income) and the financial position of Gateway.
- **Growth Pipeline Risk**: Gateway's growth is subject to access to, and management of suitable capital for investment and operations. Failure to secure capital, an adequate development pipeline and assets for the right price and return will impact Gateway's ability to effectively transition to its desired portfolio mix.
- **Acquisition Risk:** Gateway's strategy includes pursuing acquisitions of MHEs. Integration of these MHEs acquired by Gateway in the Gateway platform may take longer and cost more than anticipated and there is no guarantee that any MHEs acquired by Gateway will operate as profitably as they did prior to their acquisition.

  Gateway regularly evaluates acquisitions, property investments and other opportunities that it believes are consistent with its strategy. Gateway may not be successful in identifying future opportunities, assessing the value, strengths and weaknesses of these opportunities or finalising acquisitions on acceptable terms or at all.

- **Industry and Technology Risk**: Gateway's communities are geographically dispersed and as operations become more dynamic there is a recognised need to enhance business infrastructure to support the growth of the organisation. Failure to align technology to business strategy and failure to keep pace with innovation and change may impact the business if Gateway does not adapt to meet future residents' and societal demands.
- **Control Risk**: Failure to establish a robust control environment to ensure compliance with regulation, legislation and Gateway policies may affect operational efficiencies and the control environment.
- **Operational Risk:** Failure to recruit and retain a high performing management team, develop a high performing culture, and operate a safe workplace may impact the business.

8.2 Minority ownership consequences

If Hometown and its associates acquire more than 50% but less than 90% of the Gateway Securities then, assuming all conditions to the Offer are satisfied or waived, Hometown and its Associates will increase their existing shareholding in Gateway but will not be entitled to acquire the Gateway Securities that have not been accepted into the Offer.

Section 2.6 of this Target's Statement sets out risks associated with remaining a minority Securityholder in these circumstances.

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9 Information relating to Gateway's Directors

9.1 Interests and dealings in Gateway Securities

(a) Interests in Gateway Securities

As at the date of this Target's Statement, the Directors had the following relevant interests in Gateway Securities, Security Appreciation Rights and Security Rights:

Director	Number of Gateway Securities	Number of Security Appreciation Rights and Security Rights
GLOL		
Sally Evans	Nil	Nil
Andrew Fay	329,163	Nil
Rachel Launders	46,150	Nil
Andrew Love	470,581	Nil
Stephen Newton	41,610	Nil
Trent Ottawa	10,825,878	1,366,465 Security Appreciation Rights (FY16 LTI Grant)[10] 1,159,682 Security Appreciation Rights (FY17 LTI Grant) 296,736 Security Rights (FY18 LTI Grant)
OMIFL		
Justin Epstein	110,723	Nil

[10] These Security Appreciation Rights (FY16 LTI Grant) will lapse following the release of Gateway's results on 20 August 2018.

Elizabeth Reddy	Nil	Nil
Frank John Tearle	Nil	Nil
Total	11,708,382 Gateway Securities	1,366,465 Security Appreciation Rights (FY16 LTI Grant)[11] 1,159,682 Security Appreciation Rights (FY17 LTI Grant) 296,736 Security Rights (FY18 LTI Grant)

(b) Dealings in Gateway Securities

On 3 May 2018, 100,000 fully paid Gateway Securities were acquired by Narelle Fay, the spouse of Andrew Fay.

Otherwise, no Director has acquired or disposed of a relevant interest in any Gateway Securities, Security Appreciation Rights or Security Rights in the 4 month period ending on the date immediately before the date of this Target's Statement.

9.2 Interests and dealings in Hometown securities

(a) Interests in Hometown securities

As at the date immediately before the date of this Target's Statement, no Director had a relevant interest in any Hometown securities.

(b) Dealings in Hometown securities

No Director acquired or disposed of a relevant interest in any Hometown securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

9.3 Benefits and agreements

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Gateway or related body corporate of Gateway.

(b) **Agreements connected with or conditional on the Offer**

There are no agreements made between any director of Gateway and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Securities.

[11] These Security Appreciation Rights (FY16 LTI Grant) will lapse following the release of Gateway's results on 20 August 2018.

(c) **Benefits from Hometown**

None of the directors of Gateway has agreed to receive, or is entitled to receive, any benefit from Hometown which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Securities.

(d) **Interests of Directors in contracts with Hometown**

None of the directors of Gateway has any interest in any contract entered into by Hometown.

9.4 Effect of Offer on Gateway's employee incentive schemes and securities issued under those schemes

No Securityholder approval is required for vesting of Security Appreciation Rights or Security Rights as the original grant was approved by Securityholders at the relevant AGMs before they were issued, to the extent approval was required.

On a change of control, the Directors may determine in their absolute discretion that some or all Security Appreciation Rights and Security Rights will vest, having regard to all relevant considerations. If the Directors do not make a determination, Security Appreciation Rights and Security Rights will vest on a pro rata basis based on the proportion of the performance period that has elapsed at the time vesting is triggered by the change of control.

As at the date of this Target's Statement the Directors have not yet made a determination as to the vesting of Security Appreciation Rights or Security Rights.

10 Taxation consequences

10.1 Overview

The taxation information below provides a broad summary of the Australian income tax and GST consequences relating to Hometown's Offer.

The taxation information contained in this section is of a general nature only. It does not constitute tax advice and should not be relied upon as such.

The taxation information below only deals with the tax implications for resident and non-resident Gateway Securityholders who hold their Gateway Securities on capital account. It does not address the tax treatment for Securityholders who:

- hold their investments on revenue account such as banks and other trading entities;
- are non-resident and hold their investments through a permanent establishment in Australia;
- acquired Gateway Securities under employee securities plans; or
- hold their investments subject to the taxation of financial arrangement provisions in Division 230 of the *Income Tax Assessment Act 1997*.

All Gateway Securityholders should seek independent professional advice on the taxation consequences of their participation in the Offer, based on their particular circumstances. Securityholders who are not resident in Australia should obtain advice on the taxation implications arising in their local jurisdiction of the proposed transaction.

The information contained in this section is based on the provisions of the income tax and GST law, regulations and ATO rulings and determinations applicable as at the date of this Target's Statement.

10.2 Australian resident Securityholders

(a) CGT consequences

Each Gateway Security consists of a share in GLOL and a unit in RPT2. Notwithstanding the fact that these assets cannot be traded separately, they are treated as separate assets for CGT purposes.

The disposal of Gateway Securities pursuant to Hometown's Offer will have CGT consequences for Gateway Securityholders. Each Securityholder will be treated as making two separate disposals for CGT purposes and two separate CGT calculations will be required. In undertaking these calculations, Securityholders will be required to calculate the cost base (or reduced cost base) and capital proceeds attributable to their share in GLOL and unit in RPT2 (as explained below).

Broadly, Gateway Securityholders will, in respect of their share in GLOL and unit in RPT2 make:

- a capital gain if the capital proceeds received for their share in GLOL or unit in RPT2 are greater than the cost base of their share in GLOL or unit in RPT2 respectively; and
- a capital loss if the reduced cost base of their share in GLOL or unit in RPT2 is greater than the capital proceeds received for their share in GLOL or unit in RPT2 respectively.

Australian resident Securityholders who are not companies should be entitled to a CGT discount provided that they have held their Gateway Securities for 12 months or more. Australian resident individuals and trusts are entitled to a 50% discount, resident complying superannuation entities are entitled to a 33 1/3 % discount while companies are not entitled to any discount.

(1) Cost base and reduced cost base

Broadly, the cost base and reduced cost base of a Gateway Security will equal the amount paid by the Gateway Securityholder to acquire their Securities, together with certain incidental costs of acquisition and disposal.

Gateway Securityholders will be required to apportion the cost of their Gateway Securities between their share in GLOL, and unit in RPT2. The Commissioner of Taxation will generally accept an apportionment that has been done on a reasonable basis. However, Securityholders will need to make their own decision regarding the reasonable basis they will apply in their own circumstances.

One possible method of apportionment is on the basis of the relative proportion of net assets of the two entities. For the period from 15 June 2015 to 31 December 2017, the relative net assets of RPT2 was 100%, and GLOL was 0%, of Gateway's net assets.

Further information that may be helpful to Securityholders in making their cost apportionment decision can be found on the Investor Centre page of the Gateway website (www.gatewaylifestyle.com.au).

After apportionment of the cost base between GLOL shares and RPT2 units, the cost base of RPT2 units should be reduced by any tax deferred distributions made by RPT2 whilst the Securityholder held their Gateway Securities.

(2) Capital proceeds

The capital proceeds received by Gateway Securityholders for their Gateway Securities should be the consideration of $2.25 cash received per Gateway Security. Securityholders will be required to apportion the capital proceeds received between their share in GLOL, and unit in RPT2. As noted above, the Commissioner of Taxation will generally accept an apportionment that has been done on a reasonable basis.

(b) Status of defeating conditions

Hometown's Offer is subject to a number of conditions set out in Appendix 2 (Conditions of the Offer) of the Bidder's Statement. Hometown will provide updates on any material developments relating to the status of these conditions during the Offer Period. If those conditions are not fulfilled or waived and the Offer does not proceed, then no CGT event will happen for Securityholders under the Offer.

(c) June 2018 Distribution

Securityholders will be required to treat the tax components of the June 2018 Distribution in the same manner that the tax components of Gateway's regular six monthly income distributions are treated.

The tax profile of that distribution will be advised to Securityholders subsequent to payment in September 2018.

(d) Future distributions

If Hometown's Offer becomes unconditional but Hometown does not achieve a relevant interest sufficient to proceed to compulsory acquisition, Australian resident Securityholders who continue to hold Gateway Securities should have future distributions taxed in a similar manner to the June 2018 Distribution.

10.3 Non-resident Securityholders

(a) CGT consequences

The taxation consequences discussed in section 10.2(a) and 10.2(b) above will generally apply to Gateway Securityholders that are non-residents, if either the GLOL shares or the RPT2 units are “taxable Australian property”.

As the underlying value of RPT2 units is principally derived from Australian real property, RPT2 units will be “taxable Australian property” for a non-resident Securityholder if just before the CGT event or throughout a 12 month period that began no earlier than 24 months before that time, the non-resident Securityholder and its associates held units in RPT2 at that time of 10% or more. The CGT event will occur on the date the contract to dispose of the RPT2 units is formed. If the Offer is accepted before the conditions precedent are fulfilled, the date the contract to dispose of the RPT2 units is formed will be the date that those conditions are fulfilled. If the Offer is accepted after the conditions precedent are fulfilled, the date of disposal for CGT purposes will be the date the Securityholder accepts the Offer.

As the underlying value of GLOL shares is not principally derived from Australian real property, GLOL shares are unlikely to be “taxable Australian property” for a non-resident Securityholder, unless the following paragraph applies.

GLOL shares and RPT2 units will also be “taxable Australian property” for non-resident Securityholders who:

- hold the GLOL shares and RPT2 units in carrying on a business through a permanent establishment in Australia; or
- are individuals who made an election to treat the GLOL shares and RPT2 units as taxable Australian property at the time they ceased to be an Australian resident (if the Securityholder was ever an Australian resident).

If a GLOL share or RPT2 unit is “taxable Australian property” and a non-resident Securityholder makes a capital gain as a result of the disposal of the GLOL share or RPT2 unit, the Securityholder will not be entitled to a CGT discount.

Where a GLOL share or RPT2 unit is not “taxable Australian property”, the capital gain or loss that is made by a non-resident Securityholder on the disposal of the GLOL share or RPT2 unit should be disregarded.

(b) MIT status of RPT2

(1) Year ended 30 June 2018

RPT2 should satisfy the requirements to be a MIT for FY18.

Consequently, distributions to non-resident Gateway Securityholders from RPT2 in relation to FY18 should be subject to a MIT withholding tax, other than distributions of dividends, interest, royalties, or capital gains on assets that are not “taxable Australian property”. MIT withholding tax is deducted from the amount of the “fund payment”. The fund payment is calculated, broadly, as net rental income less tax depreciation. The rate of MIT withholding tax will depend on the address or place for payment of the recipient. For Securityholders that have disclosed an address or place of payment in an “information exchange country", the rate will be 15%. For Securityholders that have disclosed an address or place of payment in other countries, the rate of MIT withholding tax will be 30%. Information exchange countries are listed in Regulation 44E of the *Taxation Administration Regulations* 1953 1976 (Cth).

(2) Year ending 30 June 2019 and future years

In certain circumstances, as a consequence of the ownership structure of Hometown, RPT2 may cease to satisfy the requirements to be a MIT in respect of the income tax year ending 30 June 2019 and future years. Consequently, distributions made by RPT2 in relation to the year ending 30 June 2019 will be subject to non-resident withholding tax and not MIT withholding tax. Broadly, this means that the distributions represented by Australian sourced income (such as rental income and gains) other than dividends, interest or royalties should be subject to Australian tax on a withholding basis at the tax rate applicable to the non-resident Securityholder (for example, individual, company or other type of entity). In determining the amount that is to be withheld from distributions to non-resident Securityholders, any capital gains to which the CGT discount has been applied are grossed up, and withholding is levied on the grossed-up amount.

A 30% rate applies to distributions of Australian sourced rental income and gains from the disposal of Australian property assets to non-resident companies and progressive rates (from 32.5% to 47%) apply to distributions of these amounts to non-resident individuals. Securityholders who are non-resident trustees of another trust estate will be subject to withholding tax at the top marginal rate for individuals, being 47%.

This withholding tax is not a final tax. A non-resident Securityholder may be entitled to claim a credit for this withholding tax against its Australian tax liability on its total Australian sourced taxable income. There should be no withholding tax deducted in respect of the tax deferred component of a distribution to a non-resident Securityholder.

(c) June 2018 Distribution from RPT2

The June 2018 Distribution relates to income derived by RPT2 during FY18 and consequently MIT withholding tax will be payable and not non-resident withholding tax notwithstanding that it will be paid in September 2018.

If the June 2018 Distribution includes a dividend paid by GLOL, to the extent that the dividend is franked no withholding tax will be deducted from the dividend. To the extent that the dividend is unfranked withholding tax will be deducted at a rate of 30%, subject to this rate being reduced through the operation of a Double Tax Agreement or the availability of a specific exemption.

(d) Future distributions from RPT2

If the Offer becomes unconditional but Hometown does not achieve a relevant interest in Gateway Securities sufficient to proceed to compulsory acquisition, future distributions received by non-resident Securityholders should be subject to non-resident withholding tax and not MIT withholding tax.

10.4 GLOL

Hometown's acquisition of Gateway Lifestyle Securities should not affect the tax treatment of any future dividends paid by GLOL to Securityholders.

10.5 GST

No GST will be charged to Gateway Securityholders nor will any GST liability arise for Securityholders (whether resident or non-resident) if they accept Hometown's Offer.

11 Additional information

11.1 Effect of the Offer on Gateway's contracts

Gateway has identified 2 contracts to which it is a party that contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer. A summary of these contracts and the relevant change of control provisions are set out below:

- **Debt Facility:** the debt facility provided by Australia and New Zealand Banking Group Limited and Commonwealth Bank of Australia to OMIFL as responsible entity of RPT2 with an aggregate facility limit of $280 million (and which is guaranteed by various members of the Group).

  In the event of a change of control (meaning where a person, alone or together with its associates, has voting power of more than 50%), Gateway must meet and negotiate with the lenders. If after 30 days the facility has not been restructured the facility agent acting on the instructions of the majority lenders can immediately cancel the facilities and the borrowers must repay all outstanding utilisations under the Debt Facility, together with accrued interest and any other amounts under any other relevant finance documents as well as any applicable break costs, within 90 days of their cancellation. If the financing changes referred to in Section 7.6 of this Target's Statement are implemented, Gateway expects that the current change of control provisions will continue to apply to the extended debt facility.

- **Head Office lease:** The lease for the Gateway head office contains a termination right on the landlord for a change of control of Gateway. Hometown has confirmed to Gateway that it would waive any breach of condition 16 of the Offer (the non-existence or exercise of certain rights condition summarised in section 6.3(p) of this Target's Statement) to the extent that it might otherwise be triggered by a change of control event under this lease.

11.2 Material litigation

Gateway is not involved in any litigation or disputes which are material in the context of Gateway and its subsidiaries taken as a whole.

11.3 Issued capital

As at the date of this Target's Statement, Gateway's issued capital consisted of:

- 303,726,580 Securities;
- Security Rights

Date of Offer	Number of Security Rights	Grant date
30/10/2017	296,736	28/11/2017
30/10/2017	431,256	6/11/2017

- Security Appreciation Rights

Date of Offer	Number of Security Appreciation Rights	Grant date
27/06/2016	1,366,465[12]	18/11/2016
23/09/2016	1,159,682	18/11/2016
28/02/2017	394,610	28/02/2017

11.4 Substantial holders

Substantial Holder as at 17 August 2018	Number of Gateway Securities as at 17 August 2018
Hometown and its related entities[13]	55,294,432
Massachusetts Financial Services Company, and on behalf of Sun Life Financial Inc.	21,413,280
SAS Trustee Corporation (ABN 29 239 066 746)	16,316,948
Wavestone Capital Pty Limited (ACN 120 179 419)	15,927,575
Challenger Limited (ACN 106 842 371) and its related entities	15,978,526
Mitsubishi UFJ Financial Group, Inc	15,570,442
Morgan Stanley and its subsidiaries	15,570,442

11.5 Consents

Grant Samuel & Associates Pty Limited has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as the Independent Expert in the form and context it is so named and

[12] These Security Appreciation Rights will lapse following the release of Gateway's results on 20 August 2018.

[13] Includes the relevant interests that Hometown and its associates have in Securities held by other Securityholders but that are subject to pre-bid agreements with Hometown: see section 8.3 of the Bidder's Statement for more information about the pre-bid agreements.

to the inclusion of its Independent Expert's Report as Attachment 1 to this Target's Statement. Grant Samuel & Associates Pty Limited has not caused or authorised the issue of this Target’s Statement, does not make or purport to make any statement in this Target’s Statement (other than the Independent Expert's Report) or any statement on which a statement in this Target’s Statement is based (other than extracts from the Independent Expert's Report) and takes no responsibility for any part of this Target’s Statement other than any reference to its name and its Independent Expert's Report.

Link Market Services Limited has given, and not withdrawn before the lodgement of this Target’s Statement with ASIC, its written consent to be named in this Target’s Statement as Gateway's share registrar in the form and context it is so named. Link Market Services Limited has not caused or authorised the issue of this Target’s Statement, does not make or purport to make any statement in this Target’s Statement or any statement on which a statement in this Target’s Statement is based and takes no responsibility for any part of this Target’s Statement other than any reference to its name.

Fort Street Advisers Pty Ltd (**Fort Street**) has given, and not withdrawn before the lodgement of this Target’s Statement with ASIC, its written consent to be named in this Target’s Statement as Gateway’s financial adviser in the form and context it is so named. Fort Street has not caused or authorised the issue of this Target’s Statement, does not make or purport to make any statement in this Target’s Statement or any statement on which a statement in this Target’s Statement is based and takes no responsibility for any part of this Target’s Statement other than any reference to its name.

Herbert Smith Freehills has given, and not withdrawn before the lodgement of this Target’s Statement with ASIC, its written consent to be named in this Target’s Statement as Gateway’s Australian legal adviser (other than in relation to taxation) in the form and context it is so named. Herbert Smith Freehills has not advised on the laws of any foreign jurisdiction. Herbert Smith Freehills has not caused or authorised the issue of this Target’s Statement, does not make or purport to make any statement in this Target’s Statement or any statement on which a statement in this Target’s Statement is based and takes no responsibility for any part of this Target’s Statement other than any reference to its name.

Greenwoods & Herbert Smith Freehills (**G&HSF**) has given, and not withdrawn before the lodgement of this Target’s Statement with ASIC, its written consent to be named in this Target’s Statement as Gateway’s Australian legal adviser in relation to taxation in the form and context it is so named. G&HSF has not caused or authorised the issue of this Target’s Statement, does not make or purport to make any statement in this Target’s Statement or any statement on which a statement in this Target’s Statement is based and takes no responsibility for any part of this Target’s Statement other than any reference to its name.

As permitted by ASIC Class Order 13/521, this Target’s Statement contains statements which are made, or based on statements made, in documents lodged by Hometown with ASIC or given to the ASX or, announced on the Company Announcements Platform of the ASX, by Hometown. Pursuant to the Class Order, the consent of Hometown is not required for the inclusion of such statements in this Target’s Statement. Any Gateway Securityholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Gateway Securityholder line on 1800 677 648 (for calls made from within Australia) or +61 1800 677 648 (for calls made from outside Australia). (Any telephone calls to these numbers will, as required by the Corporations Act, be tape recorded, indexed and stored.)

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 (**Corporations Instrument 2016/72**), this Target’s Statement may include or be accompanied by certain statements:

- which fairly represent what purports to be a statement by an official person;

- which are a correct and fair copy of, or extract from, what purports to be a public official document; or
- which are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

In addition, as permitted by Corporations Instrument 2016/72, this Target's Statement contains share price trading data sourced from IRESS without its consent.

11.6 No other material information

This Target's Statement is required to include all the information that Gateway Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any director of Gateway.

The directors of Gateway are of the opinion that the information that Gateway Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Gateway's releases to the ASX, and in the documents lodged by Gateway with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement (including the information contained in the Independent Expert's Report).

The directors of Gateway have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the directors of Gateway do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the directors of Gateway have had regard to:

- the nature of the Securities;
- the matters that Securityholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Securityholders' professional advisers; and
- the time available to Gateway to prepare this Target's Statement.

12 Glossary and interpretation

12.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
$**, **A$ or **AUD**	Australian dollar.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) or, as applicable, the financial market operated by it.
ASX Listing Rules	the official listing rules of the ASX.
ATO	Australian Taxation Office.
Bidder's Statement	the replacement bidder's statement of Hometown dated 7 August 2018.
Brookfield	Brookfield Property Group (together with affiliates and managed funds).
CGT	capital gains tax.
Competing Proposal	any proposal, offer or transaction by a third party (other than Hometown or its related entities) that, if completed, would mean: 1 a person would acquire a relevant interest or voting power in 15% or more of the Gateway Securities or the securities of any Gateway group member; 2 a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or related to 15% or more of the Gateway Securities or of the securities of any Gateway group member; 3 a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or assets or property of any Gateway group member; 4 a person would acquire control of any Gateway group member;

Term	Meaning
	5 a person may otherwise acquire, or merge with, any Gateway group member (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure, joint venture or partnership); or 6 Gateway will issue, on a fully diluted basis, 10% or more of its capital as consideration for the assets or share capital of another person, or any proposal by Gateway to implement any reorganisation of capital or dissolution. Each successive material modification or variation of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.
Corporations Act	the *Corporations Act 2001* (Cth) (as modified or varied by ASIC).
EBITDA	earnings before interest, taxation, depreciation and amortisation.
Equity Incentive Plan	the Gateway Lifestyle Group Equity Incentive Plan adopted by Gateway on 24 June 2016.
FIRB	Foreign Investment Review Board.
FIRB Condition	the condition contained in condition 1 in Appendix 2 (Conditions of the Offer) of the Bidder's Statement (and summarised in section 6.3 of this Target's Statement).
FY18	the financial year ended 30 June 2018.
Gateway or **Group**	GLOL and RPT2, and, where applicable, OMIFL in its capacity as responsible entity of RPT2.
Gateway Security or **Security**	one ASX-listed fully paid stapled security consisting of one share in GLOL and one unit in RPT2, and for the avoidance of doubt does not include any Security Appreciation Rights or Security Rights.
Gateway Securityholder or **Securityholder**	a person who holds Gateway Securities.

Term	Meaning
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Act	the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
GST Law	has the same meaning as in the GST Act.
GLOL	Gateway Lifestyle Operations Limited (ABN 63 605 543 968).
Hometown	A.C.N. 626 522 085 Pty Ltd (ACN 626 522 085) as trustee for Hometown Australia Management Pty Ltd (ACN 614 529 538) and as trustee for Hometown Australia Nominees Pty Ltd (ACN 616 047 084) in its capacity as trustee for the Hometown Australia Property Trust.
Hometown Australia Property Trust	the unit trust named the Hometown Australia Property Trust constituted by Hometown Australia Nominees Pty Ltd by a trust deed dated 22 November 2016, as amended.
Hometown Group	the entities comprising: 1. ACN 626 522 085; 2. Hometown Australia Management Pty Ltd; 3. Hometown Australia Nominees Pty Ltd in its capacity as trustee for the Hometown Property Trust; 4. the Hometown Australia Property Trust; and 5. their subsidiary companies and trusts as at the date of the Bidder's Statement.
IFRS	International Financial Reporting Standards.
Independent Expert	Grant Samuel & Associates Pty Limited (ACN 050 036 372).
IRESS	IRESS Limited (ACN 060 313 359).
Independent Expert's Report	the independent expert's report prepared by the Independent Expert and dated 20 August 2018 which is contained in Attachment 1 to this Target's Statement.

June 2018 Distribution	the distribution of 5.35c per Security for the six-month period ending 30 June 2018 announced on the ASX on 22 June 2018, the record date for which is 29 June 2018 and the scheduled payment date for which is 28 September 2018.
MHE	Manufactured Housing Estates.
MIT	managed investment trust.
Non-Associated Securityholders	the Gateway Securityholders other than Hometown.
Notice of Status of Conditions	Hometown's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.
NPAT	net profit after tax.
Offer or **Hometown's Offer**	the offer by Hometown for the Gateway Securities, which offer is contained in Appendix 1 (Terms of the Offer) and Appendix 2 (Conditions of the Offer) of the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 2 of the Terms of the Offer in Appendix 1 of the Bidder's Statement.
Offer Price or **Hometown's Offer Price**	the price of $2.25 per Gateway Security offered by Hometown under Hometown's Offer.
OMIFL	One Managed Investment Funds Limited (ABN 47 117 400 987), and where applicable, in its capacity as responsible entity of RPT2.
Prescribed Occurrence	the occurrence of any of the following events: 1 Gateway converts all or any of the Gateway Securities into a larger or smaller number; 2 Gateway or a subsidiary resolves to reduce its capital in any way (other than the June 2018 Distribution); 3 Gateway or a subsidiary enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement; 4 Gateway or a subsidiary issues securities or grants an option over securities, or agrees to make such an issue or grant such an option, except for the issue of Gateway Securities as a result

	of the vesting of Security Appreciation Rights or Security Rights that have been publicly disclosed to ASX prior to the 2 July 2018; 5 Gateway or a subsidiary issues, or agrees to issue, convertible notes; 6 Gateway or a subsidiary disposes or agrees to dispose, of the whole, or a substantial part, of its business or property; 7 Gateway or a subsidiary grants, or agrees to grant, a security interest in the whole, or a substantial part, of the business or property; 8 Gateway or a subsidiary resolves to be wound up; 9 the appointment of a liquidator or provisional liquidator of Gateway or of a Subsidiary; 10 a court makes an order for the winding up of Gateway or a subsidiary; 11 an administrator of Gateway or a subsidiary is appointed; 12 Gateway or a subsidiary executes a deed of company arrangement; or 13 the appointment of a receiver or a receiver and manager in relation to the whole, or a substantial part, of the property of Gateway or of a subsidiary.
related entity	in relation to an entity, any entity that is related to that entity within the meaning of section 50 of the Corporations Act or which is an entity under the control of that entity.
relevant interest	has the meaning given in the Corporations Act as if sections 609(6) and 609(7) were omitted.
RPT2	Residential Parks No.2 Trust (ARSN 605 803 414).
Security Appreciation Rights	security appreciation rights issued under the Equity Incentive Plan.
Security Rights	security rights issued under the Equity Incentive Plan.
Target’s Statement	this document (including the attachments), being the statement of Gateway under Part 6.5 Division 3 of the Corporations Act.
VWAP	volume weighted average price

12.2 Interpretation

In this Target's Statement:

(1) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.

(2) Words of any gender include all genders.

(3) Words importing the singular include the plural and vice versa.

(4) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.

(5) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.

(6) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(7) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.

(8) A reference to time is a reference to AEST.

(9) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

(10) Specifying anything in this deed after the words 'includes' or 'for example' or similar expressions does not limit what else is included.

13 Authorisation

This Target's Statement has been approved by resolutions passed by the directors of Gateway. All Gateway directors voted in favour of that the resolution.

Date: 20 August 2018

Signed for and on behalf of Gateway:

Signed for
Gateway Lifestyle Operations Limited (ABN 63 605 543 968)
by

Director

Andrew Love

Signed for
One Managed Investment Funds Limited (ABN 47 117 400 987) in its capacity as responsible entity of **Residential Parks No.2 Trust (ARSN 605 803 414)**
by

Director

Justin Epstein

Attachment 1

Independent Expert's Report

GRANT SAMUEL

20 August 2018

The Directors
Gateway Lifestyle Operations Limited and
One Managed Investments Funds Limited
as responsible entity for the Residential Parks No. 2 Trust
c/- Level 2
117 Clarence Street
Sydney NSW 2000

Dear Directors

Hometown Offer

1 Introduction

On 2 July 2018, Hometown[1] announced its intention to make an off-market takeover offer ("the Hometown Offer") for all the stapled securities ("securities") in Gateway Lifestyle Group ("Gateway") at a cash price of $2.25 per security[2]. The Hometown Offer followed a number of earlier indicative non binding proposals made by Hometown and by Brookfield Property Group ("Brookfield"). As at the date of the Bidder's Statement, Hometown had a relevant interest in 18.2% of Gateway. Hometown declared the offer price of $2.25 per security to be its best and final offer (in the absence of a competing proposal) on 16 August 2018.

The Hometown Offer is subject to a number of conditions including:

- Hometown obtaining a relevant interest in more than 50% of the fully diluted issued capital of Gateway;
- approval under the Foreign Acquisitions and Takeovers Act, 1975;
- Gateway's business being conducted in the ordinary course of business during the offer period;
- no material adverse events and no material acquisitions or disposals (as defined); and
- various other conditions relating to issues of securities and financing arrangements.

Gateway has engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out its opinion as to whether the Hometown Offer is fair and reasonable to the securityholders of Gateway other than Hometown ("the non associated securityholders") and stating reasons for that opinion. A copy of the report is to accompany the Target's Statement to be despatched to securityholders by Gateway. This letter contains Grant Samuel's opinion and a summary of the main conclusions.

2 Opinion

In Grant Samuel's opinion, the Hometown Offer is fair and reasonable to the non associated securityholders of Gateway.

[1] Hometown comprises A.C.N. 626 522 085 Pty Ltd as trustee for Hometown Australia Management Pty Ltd and Hometown Australia Nominees Pty Ltd (which is the trustee for the Hometown Australia Property Trust). Hometown is wholly owned by Hometown America Holdings, L.L.C., a large operator of residential land lease communities in the United States.

[2] Represents a price of $2.3035 per security before adjusting for the 5.35 cents distribution paid by Gateway in July 2018.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372 AFS Licence No 240985
Level 19 Governor Macquarie Tower, 1 Farrer Place Sydney NSW 2000 GPO BOX 4301 SYDNEY NSW 2001 T +61 2 9324 4211 F +61 2 9324 4301
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3 Summary of Conclusions

- **Grant Samuel has valued Gateway in the range $2.13-2.30 per security.**

Grant Samuel has valued Gateway in the range $905-955 million, which corresponds to a value of $2.13-2.30 per security. The valuation is summarised below:

GATEWAY – VALUATION SUMMARY ($ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE RANGE ($MILLION)	
		LOW	HIGH
Property portfolio	5.2	745.0	758.6
Development	5.3	270.0	320.0
Head office costs (net of savings)	5.4	(110.0)	(123.4)
Enterprise value		**905.0**	**955.2**
Net borrowings at 30 June 2018	5.6	(252.3)	(252.3)
Value of equity		**652.7**	**702.9**
Fully diluted securities on issue (millions)	5.7.1	306.1	306.1
Value per security		**$2.13**	**$2.30**

The valuation represents the estimated full underlying value of Gateway assuming 100% of the group was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Gateway securities to trade on the Australian Securities Exchange ("ASX") in the absence of a takeover offer.

The value of Gateway's business operations has been estimated from two perspectives:

- as a sum of the parts comprising its two main activities:
  - a passive portfolio of land estates across Australia which generate a rental income; and
  - a development business which converts short term sites at existing estates, undertakes expansion projects on existing estates and develops new "greenfields" estates; and
- as an integrated business where development is undertaken to drive growth in the underlying long term site rental income stream. A discounted cash flow ("DCF") analysis has been utilised to estimate the value under this approach.

These values have been aggregated together with other assets and liabilities (including borrowings) to determine a value for equity in Gateway.

The value attributed to Gateway implies the following overall earnings multiples and other valuation parameters:

GATEWAY – IMPLIED VALUATION PARAMETERS

	VARIABLE ($ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Multiple of EBITDA (times) – Business Operations			
Year ended 30 June 2018	48.7	18.6	19.6
Year ending 30 June 2019[3]	52.1	17.4	18.3
Multiple of EBIT (times) – Business Operations			
Year ended 30 June 2018	48.3	18.7	19.8
Year ending 30 June 2019[3]	51.8	17.5	18.4

[3] Based on broker consensus forecasts. See Appendix 1 for details.

	VARIABLE ($ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Multiple of NPAT (times) – Equity			
Year ended 30 June 2018	38.5	16.9	18.2
Year ending 30 June 2019[3]	42.6	15.3	16.5
Exit Yield[4]			
Year ended 30 June 2018	9.10 cents	4.3%	4.0%
Year ending 30 June 2019[3]	9.80 cents	4.6%	4.3%
Multiple of NTA (at 30 June 2018)			
Geared	484.2	1.35	1.45
Ungeared	736.5	1.23	1.30

In Grant Samuel's view, these outcomes are reasonable having regard to:

- the positive demographic and economic factors underpinning the long term growth potential of the residential land lease industry;
- the strategic value of Gateway's portfolio which provides an acquirer with an instant market leadership position in the Australian residential land lease industry;
- valuation parameters applying to other comparable listed entities (which exclude a premium for control);
- capitalisation rates applying to residential land lease communities and the differential that may be appropriate for a large, diversified portfolio that is institutionally investible;
- the earnings contribution from the Development business and the earnings mix between Operations and Development; and
- the relative consistency of Development earnings and the underpinning provided by the current pipeline.

- **The Property Portfolio has been valued at $745-759 million**

  Gateway's property portfolio has been valued in the range $745-759 million. This value uses the adjusted book value of the portfolio as at 30 June 2018 as a starting point but also makes allowance for a premium. The adjusted value is summarised below:

GATEWAY PROPERTY PORTFOLIO – VALUATION ($ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE ($ MILLION)
Investment properties per balance sheet	5.2	732.9
Remove: Greenfields developments and vacant sites	5.2	(55.6)
Add: Portfolio premium	5.2	67.7 – 81.3
Value of property portfolio		**745.0 – 758.6**

The book value at 30 June 2018 has been adjusted to remove:

- the value attributed to Gateway's three greenfields developments (aggregate value $18.4 million); and
- the values attributed by the independent valuers to vacant land/expansion potential within each valuation of Gateway's investment properties.

[4] Exit yield has been calculated as distribution per unit divided by consideration per unit.

A portfolio premium of 10-12% has been applied to the adjusted book value (i.e. excluding vacant land). While the extent of any premium is essentially judgemental (rather than evidence based), Grant Samuel believes this to reflect appropriately the attributes of the portfolio and other factors.

There are two primary reasons for the premium:

- the book value of the portfolio is based on the aggregate of the individual estate valuations, each of which estimates value in the context of an individual owner/operator. Yields have come down over the past few years (from over 8% to less than 6.5% in some cases) as the consolidation into larger portfolios has made the asset class more attractive to institutional investors (as well as other factors such as sustained low interest rates and declines in yields for other property classes). Consolidation allows institutions to invest at scale in assets with geographic diversification and, potentially, liquidity. Recent valuations of (and transactions involving) individual properties reflect this trend but nevertheless it is Grant Samuel's view that a large, well diversified portfolio of good quality estates would trade at yields below the level adopted by valuers for individual properties; and
- the clear strategic value of Gateway's portfolio. It:
  - provides any acquirer with an immediate leadership position in the Australian market. Gateway is the largest operator of residential land lease estates in Australia (over 50 operating estates) with a market share of approximately 15% (of estates focussed on permanent residents);
  - offers a well diversified spread of properties across the eastern seaboard of Australia and South Australia; and
  - represents a very powerful platform from which to pursue further acquisitions and consolidation opportunities (in what is still a fragmented industry).

The strategic value is evident from the interest expressed by Hometown, Brookfield and others with whom Gateway has engaged. There has never been a transaction in this sector in Australia on this scale.

Based on the independent valuations, the weighted average capitalisation rate across the portfolio (excluding vacant land) is 7.1%. Allowing for the 10-12% premium, the adjusted capitalisation rate is approximately 6.3-6.5% which Grant Samuel considers to be reasonable for an institutionally investible, market leading portfolio and is still well above the capitalisation rates seen in most other property asset classes in Australia. By way of comparison, capitalisation rates in the residential land lease sector in the United States are understood to be now below 5% for quality portfolios.

- **The Development business has been valued at $270-320 million**

Gateway's Development business has been valued in the range $270-320 million.

Valuation of the Development business is not straightforward. For some property development businesses, it is usual to attribute value only to the current pipeline of projects. However, this is usually in situations where they are large one-off projects rather than part of continuing focussed business activity. In other cases, it is assumed that the pipeline will be replenished and the business will produce a sustainable level of earnings. In Grant Samuel's opinion, this approach is appropriate for Gateway.

The value of $270-320 million represents multiples of 10.8-12.8 times FY18[5] EBITDA and 10.2-12.1 pro forma sustainable earnings of $26.5 million (based on 250 settlements per annum and a profit margin of $105,000 per home).

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[5] FYXX = year end 30 June 20XX (i.e. FY18 is the year ended 30 June 2018 and FY19 is the year ending 30 June 2019).

It is difficult to benchmark these multiples. There are no listed, and no transactions involving, pure residential land lease community developers. The nearest proxy is general residential property developers, but even then the extent of any market evidence is relatively limited. The multiples above are:

- well above those attributed by the share market to listed residential property developers, which tend to be around 6-7 times forecast EBITDA (albeit that these exclude a premium for control) except for Peet Limited and Cedar Woods Properties Limited which are more around 8-10 times (see Appendix 3); and
- more in line with recent acquisitions of residential developers such as Payce Consolidated Limited and Devine Limited, both of which occurred at historical EBITDA multiples of over 10 times (see Appendix 2 for details). The analysis excludes a number of transactions not considered useful because of their particular circumstances (e.g. poor financial performance). Acquisitions (and public valuations) of developers and construction companies in earlier periods showed a range of outcomes but with a number in the 9-13 times EBITDA range.

However, there are a number of important issues to be considered. Positive factors include the following:

- residential land lease developers are much less directly exposed to overall conditions in the residential market than general residential developers. They are targeting a niche market where demand will be driven by demographics and other factors, all of which are generally favourable at the present time (see Section 2 of the full report). There appears to be limited likelihood of "oversupply" of residential land lease communities over the medium term. In this respect, Gateway could reasonably be regarded as a more stable, consistent business than general residential development;
- Gateway outsources all construction and infrastructure development and is not exposed to major contract risks (although it does take a risk on the attraction/success of each development project);
- Gateway operates a different business model in that it retains the underlying land, whereas residential developers sell the entire land/house package. In this respect, the reported EBITDA does not capture all of the value (albeit not realised in cash) generated from development. In effect, the difference between the value of the land (and other assets such as community centres) on completion and the development cost (land acquisition plus infrastructure costs) is an unrealised gain that goes straight to balance sheet reserves rather than through the earnings statement. Accordingly, the effective multiple of full underlying earnings is less than 10.2-12.1 times (based on sustainable EBITDA); and
- well capitalised acquirers could potentially increase the level of development activity and sales. At 300 settlements per annum, EBITDA increases to over $30 million.

On the other hand:

- the listed companies trade at 0.8-1.3 times capital employed (NTA) while the transactions generally took place at around the level of capital employed. The capital employed in Gateway's development business is less than $100 million. Arguably, this level of capital employed constrains the value (but does indicate a very high return on investment); and
- Gateway's Development business is relatively small scale.

Having regard to these factors, Grant Samuel regards the value attributed to the Development business as reasonable.

- **Corporate overheads assume savings of $6 million per annum**

  Grant Samuel has estimated total common savings for acquirers of approximately $6 million per annum. The resultant net corporate costs of $9 million per annum have been capitalised at:

  - the implied overall capitalisation rate (6.3-6.5%) of the investment portfolio for the 30% Operations component; and
  - the FY18 EBITDA multiples implied by the value of the Development business (10.8-12.8 times) for the 70% share attributed to Development.

- **Discounted cash flow analysis supports the value range of $2.13-2.30 per security**

  Grant Samuel also undertook a high level DCF value analysis based on:

  - a 30 year forecast model (ending 30 June 2048); and
  - ungeared nominal after tax cash flows.

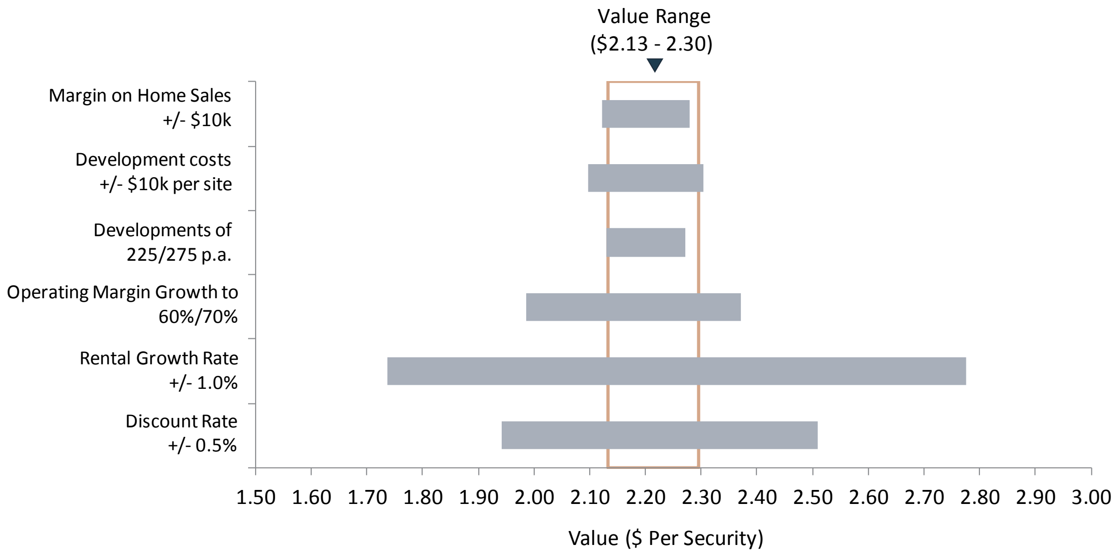
  Key assumptions adopted in the Base Case are summarised below:

GATEWAY – KEY DCF ASSUMPTIONS

OPERATIONS	DEVELOPMENT
• rental growth on existing long term sites of 4% per annum per site for five years, 3.5% for the following five years and 2.5% thereafter • 3.0% growth per annum for short term sites • 2.5% growth per annum per newly developed long term site (which enter the portfolio at prevailing market rates) • operating margin increasing from 58% (FY19) to 65% (by FY26) remaining flat thereafter	• 250 settlements per annum for 20 years, then falling to zero by year 25 • profit margin $105,000 per home sale • site acquisition cost $40,000 • development costs per site of $50,000 (greenfields), $30,000 (expansion) and $25,000 (conversion) • as existing pipeline is exhausted, new greenfield developments commence to maintain 250 settlements per annum and an inventory equal to four years' settlements
GENERAL	**OTHER**
• a discount rate (weighted average cost of capital) of 8.5% • terminal growth rate of 2.5%	• corporate costs of $9 million per annum (net of savings to an acquirer)

The Base Case produces an Enterprise Value of $926 million, equivalent to a value of $2.20 per security.

The following chart sets out the results for alternative scenarios and sensitivities:



This analysis indicates that:

- the net present value ("NPV") is extremely sensitive to:
  - changes in the rental growth rate; and
  - the discount rate; and
- the NPV is only moderately sensitive to changes in the operating margin and is relatively insensitive to movements in Development business assumptions, including:
  - the margin on home sales;
  - the development costs per site; and
  - the number of developments completed each year.

In Grant Samuel's view, the DCF analysis supports the value range adopted. To generate a value materially above the range requires assumptions (e.g. operating margins of 70% or developments of close to 300 per annum) that are far above levels historically achieved by Gateway and are unlikely to be adopted by any arm's length acquirer of the business.

- **The Hometown Offer is fair and reasonable.**

The Hometown Offer of $2.25 per security falls within the value range of $2.13-2.30. Accordingly, the Hometown Offer is fair. The bottom of the value range represents the relevant threshold for fairness. Any price above the bottom of the range is, by definition, fair and it is irrelevant where in the range an offer falls. As the Hometown Offer is fair, it is reasonable.

- **The Hometown Offer provides an attractive premium for control.**

The consideration of $2.25 per security represents a 23% premium to the price at which Gateway securities last traded prior to the announcement of the approach by Hometown on 13 June 2018 (27% when the price is adjusted for the distribution of 5.35 cents paid in July 2018):

GATEWAY – PREMIUM OVER PRE-ANNOUNCEMENT PRICES

PERIOD	GATEWAY PRICE/VWAP[6]	PREMIUM	GATEWAY PRICE/VWAP (ADJUSTED FOR DISTRIBUTION)	PREMIUM
12 June 2018 – Pre-announcement price	$1.83	23%	1.78	27%
1 week prior to 13 June 2018 - VWAP	$1.82	24%	1.77	27%
1 month prior to 13 June 2018 – VWAP	$1.77	27%	1.72	31%
3 months prior to 13 June 2018- VWAP	$1.83	23%	1.78	27%
6 months prior to 13 June 2018 - VWAP	$1.91	18%	1.86	21%
12 months prior to 13 June 2018 – VWAP	$1.96	15%	1.91	18%

The implied premiums are relatively high for a property owning entity. They may be accentuated by the weak security price immediately prior to the announcement on 13 June 2018 which had been impacted by the downgrade of FY18 earnings announced on 2 May 2018. This downgrade had a damaging impact on credibility given a similar downgrade the previous year. However, even when measured over longer periods (e.g. 6 or 12 months) the premiums are still reasonable.

- **Gateway securities are likely to trade at lower prices in the absence of the Hometown Offer.**

  The Hometown Offer enables securityholders to realise their investment in Gateway at a cash price which incorporates a premium for control and takes account of the value of Gateway's development business and pipeline. It is likely that, under current market conditions and its current ownership structure and in the absence of any offer (or speculation as to one), Gateway securities would trade at prices well below $2.25 and quite possibly below $2.00.

- **An alternative offer is conceivable but should not be relied on.**

  As at the date of this report, the Hometown Offer is the only offer capable of acceptance by Gateway securityholders. Gateway received an indicative proposal from Brookfield but:

  - the indicated price was, for practical purposes, the same as the Hometown Offer; and
  - discussions with Brookfield have ceased.

  There were other parties that approached Gateway but none of these have progressed to any kind of formal proposal. While it is conceivable that a superior offer will be made by Brookfield or a third party, given the amount of time that has lapsed since the initial Hometown proposal (13 June 2018), it would be imprudent for securityholders to assume that it will occur.

- **Non accepting securityholders may find themselves with an illiquid investment in an entity controlled by Hometown.**

  If Hometown acquires 50% or more but less than 90% of Gateway's securities, there are significant implications for remaining Gateway securityholders:

  - effective control of Gateway will pass to Hometown. Hometown intends to reconstitute the board of Gateway Lifestyle Operations Limited to reflect Hometown's level of ownership and may remove One Managed Investments Funds Limited as responsible entity for the Residential Parks No. 2 Trust;
  - Hometown will be able to determine the outcome of ordinary resolutions and, if it acquires 75% or more, would also be able to determine the outcome of special resolutions. Hometown's effective control of the management of Gateway also means it could make changes to Gateway's business operations, distribution policy and gearing levels;

[6] VWAP is volume weighted average price.

- Hometown intends to review Gateway's listing on the ASX and, if it obtains over 75% of Gateway, seek to delist the securities from the ASX. If Gateway is delisted from the ASX, remaining securityholders would hold unlisted securities substantially reducing their ability to realise a fair value for their investment;
- even if Hometown remains listed on the ASX, there will be a significant reduction in the liquidity of the market for Gateway securities which will deteriorate further to the extent Hometown's final securityholding exceeds 50%; and
- there will be much lower prospects of receiving a fully priced offer from Hometown for securities in Gateway in the future because of the absence of any competitive tension. In addition, Hometown would be in a position to block any third party offers.

If Hometown does succeed in obtaining over 50% of Gateway securities and declares the Hometown Offer unconditional, any remaining securityholders should carefully consider their position prior to the Hometown Offer closing.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Gateway securityholders. Accordingly, before acting in relation to their investment, securityholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Securityholders should read the Bidder's Statement issued by Hometown and the Target's Statement issued by Gateway.

Grant Samuel has not been engaged to provide a recommendation to securityholders in relation to the Hometown Offer, the responsibility for which lies with the directors of Gateway. In any event, the decision whether to accept the Hometown Offer is a matter for individual securityholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Securityholders who are in doubt as to the action they should take in relation to the Hometown Offer should consult their own professional adviser.

Similarly, it is a matter for individual securityholders as to whether to buy, hold or sell securities in Gateway. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to accept or reject the Hometown Offer. Securityholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

FINANCIAL SERVICES GUIDE

AND

INDEPENDENT EXPERT'S REPORT

IN RELATION TO THE HOMETOWN OFFER

GRANT SAMUEL & ASSOCIATES PTY LIMITED

ABN 28 050 036 372

20 AUGUST 2018

FINANCIAL SERVICES GUIDE

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Gateway Lifestyle Group in relation to the Hometown Offer ("the Gateway Report"), Grant Samuel will receive a fixed fee of $375,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 7.3 of the Gateway Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Gateway Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 7.3 of the Gateway Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Gateway or Hometown or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Hometown Offer.*
>
> ***Grant Samuel had no part in the formulation of the Hometown Offer. Its only role has been the preparation of this report.***
>
> ***Grant Samuel will receive a fixed fee of $375,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Hometown Offer. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.***
>
> ***Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."***

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Gateway Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Gateway Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL

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Appendices

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1 Details of the Hometown Offer

1.1 Parties

Gateway

Gateway Lifestyle Group ("Gateway") is a stapled entity that comprises Gateway Lifestyle Operations Limited ("GL Operations") and Residential Parks No. 2 Trust ("RPT 2"). One Managed Investment Funds Limited ("OMIFL"), an unrelated company, is the responsible entity of RPT 2. Each stapled security comprises one ordinary share in GL Operations and one unit in RPT 2. Gateway stapled securities ("securities") are listed and trade on the Australian Securities Exchange ("ASX").

Hometown America

Hometown America Holdings, L.L.C. ("Hometown America") is the ultimate holding company of a business that was founded in 1997 and operates over 60 residential land lease communities with more than 24,000 homes across 11 states in the United States. It entered the Australian market in 2017. Hometown America is 98% owned by Calzada Capital Partners, LLC ("Calzada"), a global real estate private equity company with over US$9 billion in assets under management. In turn, Calzada is 98% owned by the Washington State Investment Board, an institutional investor with over US$125 billion in assets under management.

Hometown

A.C.N. 626 522 085 Pty Ltd is the trustee for Hometown Australia Management Pty Ltd and Hometown Australia Nominees Pty Ltd (which is the trustee for the Hometown Australia Property Trust). These entities are indirect wholly owned subsidiaries of Hometown America and are collectively referred to as Hometown in this report.

1.2 Background

The initial Hometown proposal

On 13 June 2018, Gateway announced that it had received a confidential, indicative and non-binding proposal from Hometown to acquire 100% of the issued securities of Gateway at a price of $2.10 per security, which would be reduced by the value of any dividends or distributions announced subsequent to receipt of the proposal.

The proposal was subject to the following conditions:

- completion of a four week due diligence period;
- entering into a Scheme Implementation Agreement on customary terms and conditions;
- a unanimous recommendation from Gateway directors and a commitment to vote in favour of the proposal in respect of their securities; and
- approval under the Foreign Acquisitions and Takeovers Act ("FIRB approval").

Hometown acquired a relevant interest in over 17.5% of Gateway's securities through pre-bid agreements with four Gateway securityholders.

The Brookfield proposal

On 21 June 2018, Gateway announced that it had received a confidential indicative and non-binding proposal from Brookfield Property Group ("Brookfield") to acquire 100% of the issued securities of Gateway at a price of $2.30 per security, which would be reduced by the value of any dividends or distributions announced subsequent to receipt of the proposal.

The proposal was subject to the following conditions:

- completion of satisfactory due diligence;
- a unanimous recommendation from Gateway directors and a commitment to vote in favour of the proposal in respect of their securities;
- access to key members of Gateway's senior management team;
- agreeing a scheme or takeover bid implementation agreement on customary terms;
- approval by Brookfield's investment committee; and
- FIRB approval.

As at the date of this report, Brookfield has not proceeded to formalise its indicative proposal.

The revised Hometown proposal

Gateway announced on 25 June 2018 that it had received a revised confidential, indicative and non-binding proposal from Hometown to acquire 100% of the issued securities of Gateway at a price of $2.35 per security, which would be reduced by the value of any dividends or distributions announced subsequent to receipt of the proposal, including the 5.35 cent distribution announced by Gateway to ASX on 22 June 2018.

The revised proposal was otherwise subject to the same conditions as Hometown's initial proposal of 13 June 2018.

The Hometown takeover offer

On 2 July 2018, Hometown announced its intention to make a conditional, off-market, cash takeover offer for 100% of the securities in Gateway ("the Hometown Offer") at a price of $2.25 per security (representing a price of $2.3035 per security before adjusting for the 5.35 cent distribution for which the ex-date was 28 June 2018). The offer also included the potential for an increase to $2.30 (equivalent to $2.3535 before the distribution), conditional on executing a bid implementation agreement with Gateway on terms satisfactory to Hometown.

On 10 July 2018, Gateway announced that it had sought to negotiate a bid implementation agreement with Hometown in good faith, but that it was not prepared to accept certain bid conditions and other provisions of Hometown's bid implementation agreement. Accordingly, the potential higher offer lapsed.

On 23 July 2018, Hometown lodged its Bidder's Statement with ASIC and ASX, and served a copy on Gateway. On 7 August 2018, Hometown lodged a replacement Bidder's Statement with ASIC and ASX. Hometown confirmed despatch of its Bidder's Statement to securityholders on 10 August 2018.

1.3 Details of the Hometown Offer

The key terms of the Hometown Offer are as follows:

- a cash offer price of $2.25 per security;
- the offer is conditional on Hometown obtaining a relevant interest in more than 50% of the fully diluted issued capital of Gateway; and
- other conditions include:
  - FIRB approval;
  - the business of Gateway and its subsidiaries being conducted in the ordinary course of business up until the end of the Offer Period;

- no material adverse events occurring prior to the end of the Offer Period (defined as being any event which results in a 10% reduction in net tangible assets or a $3 million reduction in earnings before interest, tax, depreciation and amortisation);
- no material acquisitions or disposals (defined as greater than $30 million);
- no issues of securities or security appreciation rights;
- no financing arrangements being subject to:
  - breach of covenants;
  - unremedied events of default;
  - the granting of waivers to avoid an event of default; or
  - early repayment (if permanent); and
- OMIFL remaining in place as the responsible entity for RPT 2.

The Hometown Offer is also subject to a number of customary conditions.

At the date of despatch of the Bidder's Statement, Hometown had a relevant interest in 18.2% of Gateway's issued capital.

Hometown declared the offer price of $2.25 per security to be its best and final offer (in the absence of a competing proposal) on 16 August 2018.

2 Scope of the Report

2.1 Purpose of the Report

There is no requirement in the present circumstances for Gateway to obtain an independent expert's report in relation to the Hometown Offer under either the Corporations Act or ASX Listing Rules. However, Gateway has nevertheless engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out its opinion as to whether the Hometown Offer is fair and reasonable to the securityholders of Gateway other than Hometown ("the non associated securityholders") and stating reasons for that opinion. A copy of the report is to accompany the Target's Statement to be despatched to securityholders by Gateway.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Gateway securityholders. Accordingly, before acting in relation to their investment, securityholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Securityholders should read the Bidder's Statement issued by Hometown and the Target's Statement issued by Gateway in relation to the Hometown Offer.

Whether or not to accept the Hometown Offer is a matter for individual securityholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Securityholders who are in doubt as to the action they should take in relation to the Hometown Offer should consult their own professional adviser.

2.2 Basis of Evaluation

The term "fair and reasonable" has no legal definition although over time a commonly accepted interpretation has evolved. However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable".

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror's existing securityholding;
- other significant securityholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company's securities.

An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of a company's businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if securityholders are otherwise unlikely in the foreseeable future to realise an amount for their securities in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority securityholders have little prospect of receiving full value from a third-party offeror unless the controlling securityholder is prepared to sell its controlling securityholding.

Grant Samuel has determined whether the Hometown Offer is fair by comparing the estimated underlying value range of Gateway with the offer price. The Hometown Offer will be fair if it falls within the estimated underlying value range. In considering whether the Hometown Offer is reasonable, the factors that have been considered include:

- the estimated value of Gateway compared to the offer price;
- the existing securityholding structure of Gateway;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Gateway securities in the absence of the Hometown Offer; and
- other advantages and disadvantages for Gateway securityholders of accepting the Hometown Offer.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Bidder's Statement issued by Hometown;
- the Target's Statement issued by Gateway (including earlier drafts);
- the Prospectus and Product Disclosure Document dated 21 May 2015 ("Prospectus") for the initial public offering ("IPO") of securities in Gateway;
- annual reports of Gateway for the three years ended 30 June 2017;
- annual results for the year ended 30 June 2018 ("FY18"[1]);
- press releases, public announcements, media and analyst presentation material and other public filings by Gateway including information available on its website;
- brokers' reports and recent press articles on Gateway and the retirement accommodation industry;
- sharemarket data and related information on Australian and international listed entities engaged in the retirement accommodation industry and the residential property development industry and on acquisitions of companies, businesses and/or assets in these industries; and
- information relating to the Australian retirement accommodation sector including government and private sector research studies.

Non Public Information provided by Gateway

- monthly management accounts and associated CEO reports for Gateway for the six months up to 30 June 2018;
- the FY19 budget prepared by Gateway management;
- a high level financial model for the ten years ending 30 June 2027;
- independent valuations of Gateway's investment properties; and

[1] FYXX = year end 30 June 20XX (i.e. FY18 is the year ended 30 June 2018 and FY19 is the year ending 30 June 2019).

- other confidential documents, board papers, strategic planning presentations and working papers.

Grant Samuel has also held discussions with, and obtained information from, senior management of Gateway and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Gateway and its advisers. Grant Samuel has considered and relied upon this information. Gateway has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Hometown Offer is fair and reasonable having regard to the interests of the non associated securityholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Gateway. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included:

- the FY19 Budget prepared by Gateway management;
- internal projections of key financial parameters for FY20 and FY21; and
- the high level ten-year financial model.

Gateway is responsible for the information contained in the FY19 Budget ("the forward-looking information"). Grant Samuel has considered and, to the extent deemed appropriate, relied on this information for the purposes of its analysis. The FY20 and FY21 internal projections and the financial models were considered but not relied on. The major assumptions underlying the FY19 Budget were reviewed by Grant Samuel in the context of current economic, financial and other conditions. It should be noted that the forward looking information and the underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the FY19 budget has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account:

- the FY19 Budget was a "ground up" exercise based on, for example, community by community income projections and new house settlements;
- by its nature rental income, particularly from long term leases, is highly predictable;
- Gateway's operating structures have been in place for some years and the vast majority of costs are fixed;
- there is inherent variability and unpredictability in development revenues and costs but:
  - there are two key variables – the number of settlements and the average profit margin per dwelling sold; and
  - the assumed levels for profit margins are similar to levels achieved in FY17 and FY18 while the number of settlements represents a recovery to around FY16 levels.

Grant Samuel has no reason to believe that the forward looking information reflects any material bias, either positive or negative. However, the achievability of the FY19 Budget is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

The directors of Gateway have decided not to include the forecasts for FY19 in the Target's Statement and therefore they have not been disclosed in this report. In order to provide an indication of the expected financial performance of Gateway, Grant Samuel has considered brokers' forecasts for Gateway (see Appendix 1). Grant Samuel has used the median of the brokers' forecasts to review the parameters implied by its valuation of Gateway. These forecasts are sufficiently close to Gateway's FY19 Budget to be useful for analytical purposes.

Grant Samuel has not undertaken any valuations of the properties owned by Gateway and, for the purposes of this report, has relied on the independent property valuations commissioned by Gateway for those properties in determining the underlying net asset value of investments in property assets. Given the nature of the evaluation, Grant Samuel does not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. Grant Samuel has undertaken a review of the independent valuations and notes that:

- the external valuers have accepted instructions only from Gateway (and Gateway lenders) and have confirmed that they satisfy the requirements of the Corporations Act that:
  - they are suitable qualified individuals with the requisite years of appropriate experience; and
  - they are authorised by law to practice as a valuer;
- the external valuers have been given appropriate instructions consistently;

- there were no restrictions in the scope of the independent valuers' engagements or other terms which may have impacted on the quality of the valuations;
- the external valuers have prepared their valuations in accordance with relevant international or Australian standards;
- the external valuers have utilised standard property valuation methodologies such as capitalisation of net income and direct comparison (i.e. value per measure of size) with the valuation conclusion selected having regard to the results of each methodology; and
- the valuations have been accepted by Gateway's external auditors for the purposes of the FY18 (and prior year) audited accounts.

The review does not, however, imply that the valuations have been subject to any form of audit or due diligence.

As part of its analysis, Grant Samuel has undertaken discounted cash flow ("DCF") analysis that involved reviewing the sensitivity of net present values to changes in key variables. The DCF analysis isolates a limited number of assumptions and shows the impact of variations to those assumptions. No opinion is expressed as to the probability or otherwise of those variations occurring. Actual variations may be greater or less than those modelled. In addition to not representing best and worst outcomes, the DCF analysis does not, and does not purport to, show the impact of all possible variations to the business model. The actual performance of the business may be negatively or positively impacted by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the DCF analysis;
- greater or lesser variations to the assumptions considered in the DCF analysis than those modelled; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Gateway and its advisers with regard to legal, regulatory, tax and accounting matters are accurate and complete;
- the information set out in the Target's Statement sent by Gateway to its securityholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading; and
- the Hometown Offer will be implemented in accordance with its terms.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 The Residential Land Lease Industry

3.1 Overview

The residential land lease industry (also commonly referred to as the manufactured housing estate industry) is a sub sector within the broader aged accommodation industry providing affordable community based living (typically in groups of 150-250 dwellings) for older citizens.

In Australia, residential land lease communities are generally targeted at individuals and couples aged 50 and above who:

- are able to live independently (i.e. do not need high levels of care such as that available in Nursing Homes);
- wish to live in a community setting that provides some additional level of facilities and services (e.g. on-site management, security, community centre and, possibly, swimming pool and/or sporting facilities such as bowls); and
- have limited financial resources and are typically in receipt of Commonwealth Government pensions and may also receive Centrelink rental assistance.

In broad terms, residential land lease communities sit between:

- retirement villages (and similar "lifestyle" developments) which:
  - generally, offer a higher level of community facilities (usually funded by the residents) and residences built to a higher specification; and
  - are at a materially higher price point and operate on a different business model (typically based on a "licence to occupy" with significant deferred management fees paid on exit); and
- social housing provided by State governments (with funding also provided by the Commonwealth) where residents enjoy long term tenancies with subsidised rental arrangements.

The industry had its origins in the caravan park industry which was (and is):

- highly fragmented with over 2,500 parks nationally, mostly owned privately by individual owner/operators or small syndicates with relatively few participants operating multiple locations; and
- concentrated in non-metropolitan locations oriented to tourism. Accordingly, Queensland, Western Australia and Northern Territory have a large number relative to their population bases.

Residential land lease communities primarily evolved out of caravan parks that were:

- "mixed use", offering both short term tourism accommodation (for campervans/caravans as well as cabins/chalets) and longer term options in relocatable structures for long term residents; and
- in locations that were less able to sustain a profitable tourism/short stay business (i.e. not all caravan parks were appropriate to convert to land lease communities).

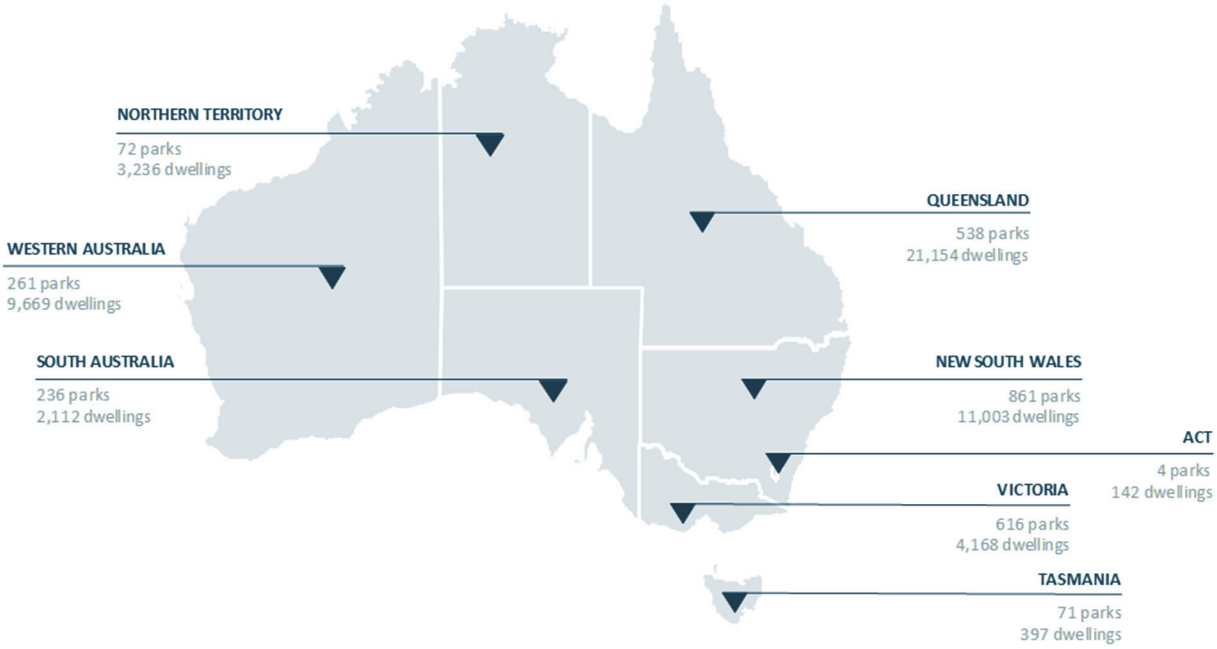
As the industry has progressed:

- there has been a move away from mixed use with many parks transitioning (over time) to be exclusively used for permanent (albeit, theoretically, moveable) dwellings for long term, older residents. Almost all new "greenfields" development is being undertaken on this basis;
- there has been further development (including significant "greenfields" development) in metropolitan areas (mainly in outer/fringe locations) and regional locations not necessarily orientated to tourism;
- construction and fit-out quality have been substantially improved in both new communities and existing communities (through replacement/refurbishment). Today, a typical new home would

include 2-3 bedrooms, 1-2 bathrooms, laundry and a carport or garage all the while remaining a relocatable dwelling; and

- it has begun a process of institutionalisation, with a significant degree of consolidation occurring in the last five years. A number of corporate groups (and institutional investors) have emerged with large portfolios of residential land lease communities although the industry remains highly fragmented.

The following map shows the overall size of the park industry and its distribution across Australia:



Source: Gateway Prospectus and Product Disclosure Document dated 21 May 2015

The vast majority of these parks are focussed on the tourism sector. The number of pure residential land lease communities is estimated at around 200 with another 800-1,000 operating on a mixed use basis.

3.2 Business Model

While there is some variation between operators, most are generally structured on a "land lease" basis under which:

- the operator:
  - owns the underlying land for the entire community;
  - owns and manages the common facilities (e.g. community centre, sports facilities);
  - provides an on-site manager and is responsible for maintenance (excluding residences) and security; and
  - leases the land for an individual site to the resident on a long term basis; and
- the resident:
  - pays for and owns the relocatable manufactured home;
  - is responsible for maintenance of the home; and
  - pays a rental to the operator to cover the home site (i.e. the land) and the access to the community facilities.

Other typical features of these arrangements include the following:

- the land lease arrangements are long term where the operator leases to the resident the land on which the resident's home is located, which can only be terminated in limited circumstances;
- site fees are governed by State or Territory legislation. Generally, site fees rise in line with inflation (at a minimum) with higher increases obtainable if these can be justified by increased costs or independent market reviews. Site fees are also reset when the home is sold by a resident (i.e. the incoming resident enters a new residential site agreement with the operator);
- site fees are typically in the order of $120-180 per week but may be higher (or lower) in some communities depending on location and the level of facilities. Commonwealth Government rental assistance amounts to a maximum of just under $70 per week. The net cost of, say, $50-110 (assuming full rental assistance) compares to the basic aged pension of $408 per week (single) and $623 per week (for a couple)[2];
- the resident is free to sell their home to a third party (who meets the relevant criteria such as age). There are no deferred maintenance or other exit fees and the resident retains any capital gain (attributable to the building) and bears any capital loss. The operator will usually provide a service to assist residents sell their homes (for a fee). Operators do not provide a guaranteed buyback, but some will offer to acquire individual homes on a case by case basis (by negotiation);
- the operator does not provide healthcare or nursing services to residents (but can arrange third party providers to do so for individual cases); and
- the operator is responsible for the construction of any new dwellings (whether on an existing community or a new greenfields project) and therefore can make a margin over and above the construction cost. The selling price of a new dwelling is typically in the order of $250,000-350,000 (but can be well outside this range in some cases) and is generally designed to be materially below the median house price in the surrounding area.

However, there are some operators that adopt the licence/deferred management fee model more usually associated with retirement villages.

3.3 Regulation

The sector is regulated at both a State and Local Government level, with each Australian State and Territory having specific legislation regulating residential land lease communities. Local Government level legislation primarily relates to:

- planning law consents; and
- licensing and permit requirements for operating residential land lease communities.

State level legislation typically regulates the relationship and respective rights and obligations of residents and operators, including those relating to:

- the form, content and term of residential site agreements;
- payment of site fees;
- the ability of an operator to increase site fees;
- responsibility for payment of utility costs and rates; and
- termination of agreements and dispute resolution.

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[2] Maximum, subject to reduction depending on income and assets.

The relevant operating legislation and regulatory environment provides residential land lease operators and residents certain concessions including but not limited to land tax exemptions, no GST on rentals, certain local council subsidies and eligibility to Commonwealth Government rental assistance.

3.4 Competitive Landscape

Today, the top dozen industry participants own approximately 200 residential land lease communities across Australia:

COMPETITOR LANDSCAPE

OPERATOR	NO. OF COMMUNITIES	LOCATIONS	CONVERSION	GREENFIELD	DEFERRED MANAGEMENT FEE	TOURISM
Gateway	58	NSW / VIC / QLD / SA	✓	✓		
Ingenia Communities[3]	33	NSW / VIC / QLD	✓			✓
Palm Lake Resorts	22	NSW / QLD	✓	✓		
Lifestyle Communities	13	VIC		✓	✓	
GIC / Tasman Capital	10	WA		✓		✓
Secura Lifestyle	9	NSW / QLD				✓
Allswell Communities	9	NSW / VIC / QLD		✓	✓	
Aspen Group	9	NSW / NT				✓
Living Gems	8	NSW / QLD		✓		
Hampshire Group	8	NSW	✓	✓		✓
Halcyon	7	QLD		✓		
Hometown Communities	5	NSW / QLD	✓	✓		

Source: Gateway

Of note:

- the major industry participants include:
  - four listed groups – Gateway, Ingenia Communities Group ("Ingenia"), Lifestyle Communities Limited ("Lifestyle Communities") and Aspen Group ("Aspen");
  - institutional investors such as GIC Private Limited ("GIC"), the Singaporean sovereign wealth fund, which recently acquired (through a joint venture with Tasman Capital Partners) eight residential land lease communities and two developments from National Lifestyle Villages; and
  - foreign operators such as Hometown which entered the Australian market in 2017 and now owns five residential land lease communities in New South Wales and Queensland;
- most of the groups are exclusively focussed on land lease communities for older age groups (or seeking to become so) but a number still have an active presence in the short term tourism market;
- only two of the larger operators, Lifestyle Communities and Allswell Communities, operate a business model that charges deferred management fees on exit;
- almost all of the operators are actively seeking to expand their footprints either through acquisition or through greenfields development of new communities; and
- the main point of competitive pressure would appear to be securing new development projects (finding suitable locations, obtaining planning approvals etc):

[3] The number of communities presented for Ingenia Communities does not include 26 villages that are operated on a rental basis for both the land and dwelling (the Ingenia Gardens products).

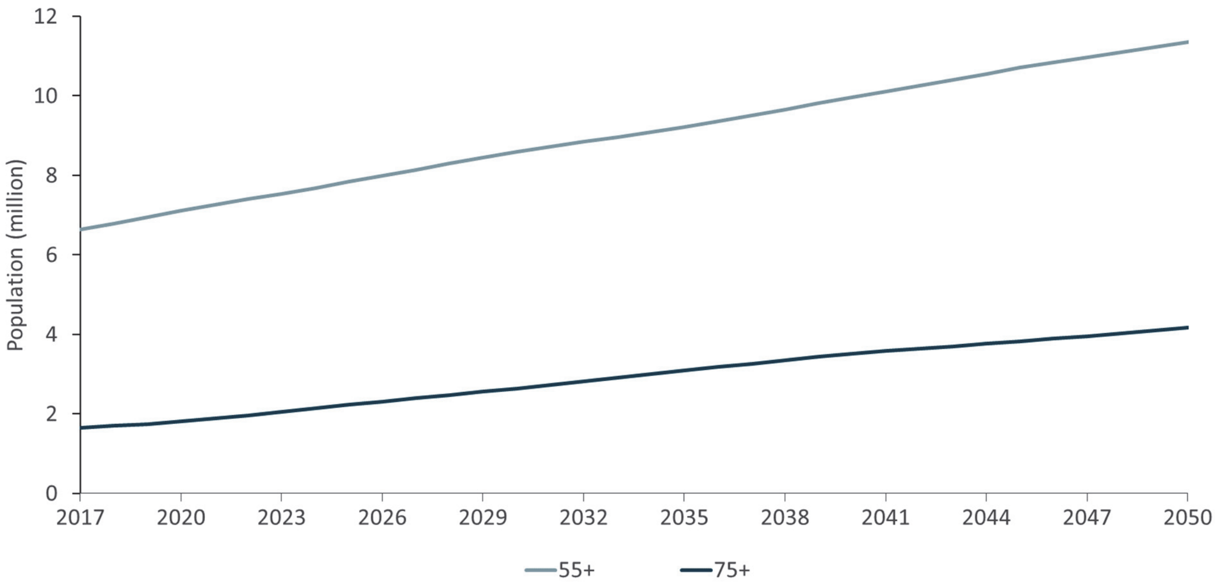
- once the community is established and sold to residents there is little or no direct competition between operators (except in attracting new residents to replace those exiting); and
- industry research suggests that, while quality and amenities play an important role and brand/reputation can help draw interest, the key factor in securing potential residents is location with price becoming a determining factor.

Gateway also competes against participants in the broader aged accommodation sector including retirement villages (operating under various business and revenue models) as well as the alternative for retirees of remaining in their existing homes.

3.5 Business Drivers and Outlook

The sector has benefitted from an ageing Australian population over the past decade and is expected to continue to do so over the next 30 years, driven in large part by the retiring baby boomer generation as well as increasing life expectancies. In 2017, there were an estimated 6.6 million Australians aged over 55 and this is expected to grow to 11.4 million by 2050 at an annualised growth rate of 1.6%. This growth compares to an annualised anticipated growth rate of 0.9% for the population as a whole, and an even higher growth rate of 2.8% for the over 75 category[4]. The graph below shows the forecast growth in Australians aged 55 and over and 75 and over:

AUSTRALIA – POPULATION AGED 55+ AND 75+



Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, custom data acquired via website; Grant Samuel analysis

In addition to demographic trends, the sector is also likely to see long term growth underpinned by a number of other positive factors, including:

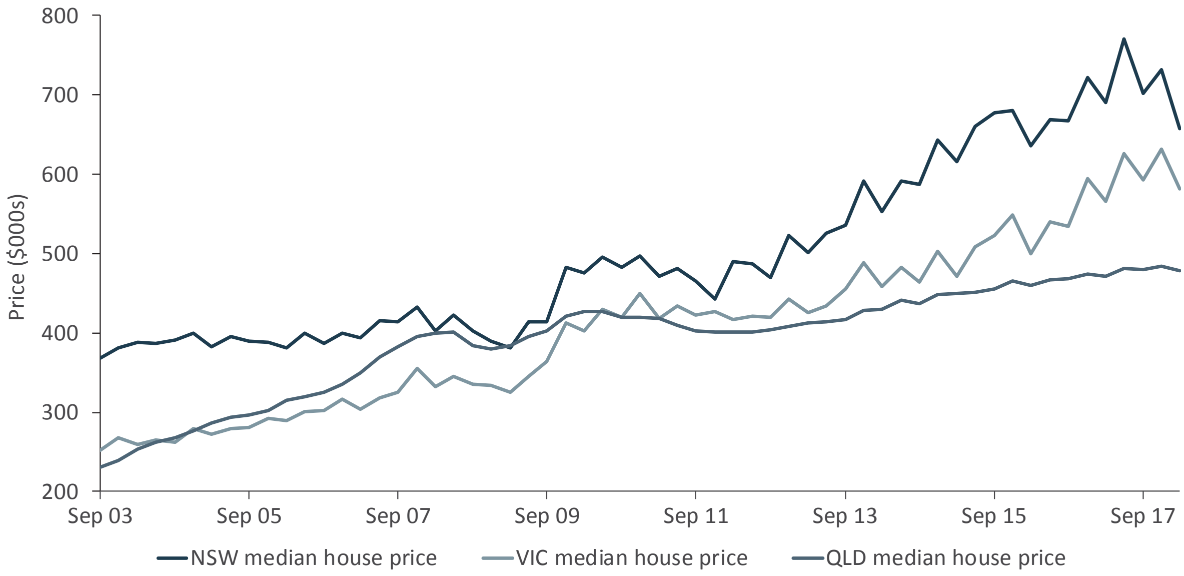
- housing affordability;
- a Commonwealth Government focus on controlling aged care costs;
- an increased acceptance of residential land lease communities as a retirement living option; and
- financial pressure on retirees.

[4] United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision

Housing Affordability

Australian house prices have risen dramatically over the past ten years, with annualised growth rates in New South Wales and Victoria for the ten years to March 2018 of 5.0% and 5.7% respectively, even including the recent softening in the market in the past year in New South Wales in particular. The following chart shows the median house price history across Australia's eastern seaboard:

AUSTRALIAN MEDIAN HOUSE PRICES



Source: ABS and Grant Samuel analysis

With recent median house prices of around $700,000 in New South Wales, $600,000 in Victoria and approaching $500,000 in Queensland, there is both scope for the provision of alternative lower cost housing as well as a significant opportunity for retirees to release a material amount of capital by transitioning to lower cost alternatives such as a residential land lease community.

Government Funding Constraints

According to the Commonwealth Treasury's 2015 Intergenerational Report, Australian governments will face increasing fiscal pressures over the next 40 years as the population grows and ages. Age and Service Pension payments per capita are forecast to increase in real terms from $2,000 in 2014-15 to $3,200 in 2054-55. Aged care funding, consisting of residential aged care and a range of community care services (including care in the home), is projected to increase in real terms from $620 per person in 2014-15 to $2,000 per person in 2054-55[5]. The consequence of these trends is:

- constraints on the ability of government to increase pension payments in real terms; and
- a push to reduce aged care costs by pursuing lower cost alternatives such as "ageing in place". For example, a recent expansion of home care assistance through the Commonwealth Home Support Programme shall support residents' ability to remain in independent living rather than moving into higher care accommodation.

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5 2015 Intergenerational Report Australia in 2055

Consumer Acceptance of Land Lease Communities

It is estimated that less than 1% of the Australian population live in residential land lease communities. In a mature market such as the United States, where large operators have portfolios of over 100 communities, this figure is around 6%. The corporatisation of the industry, the funds available for new greenfields development and the rise in housing prices have all contributed to general uplift in quality of the typical accommodation offering (in terms of design as well as build and fit out quality) and the extent and quality of other amenities provided. At the higher end of the spectrum, there is little discernible difference to some lower end retirement villages and any stigma associated with the product is rapidly diminishing (particularly for newer or redeveloped communities). This continuing product enhancement is likely to see increasing numbers of Australians viewing a land lease community as a viable and attractive retirement option.

Financial Pressures on Retirees

Retirees, particularly those with limited financial resources, face a number of continuing financial pressures:

- pensions are indexed to Consumer Price Index ("CPI") with occasional one-off adjustments such as energy supplements. Budget pressures (see above) will limit the Commonwealth Government's ability to provide consistent increases above this level. At the same time, some of significant costs faced by retirees, such a healthcare and energy, have been growing at well above CPI and are expected to continue to do so;
- increased life expectancy has meant that any available capital resources are now required to support longer retirement periods; and
- returns/yields on the types of income oriented investment products favoured by retirees have fallen to very low levels over the past decade and, while they may rise in coming years, they are not expected to return to previous levels.

In this environment, the lower entry cost and the resultant additional capital that is freed up from the sale of the family home is a very attractive feature of residential land lease communities.

4 Profile of Gateway

4.1 Background

The business operations of Gateway commenced in 2009 when the CEO, Trent Ottawa, acquired the first residential land lease communities on behalf of an initial investor syndicate. The portfolio under management had grown to 24 communities by the end of FY14. During FY15, eleven additional communities were acquired from Tasman Lifestyle Communities Group. The various ownership syndicates were restructured to create Gateway, which was listed on the ASX on 16 June 2015, offering investors exposure to 36 communities located in Queensland, New South Wales and Victoria.

Since listing, Gateway has acquired an additional 24 communities (and sold two) through a series of transactions and, as at 30 June 2018, had a portfolio of 58 communities, including three greenfields projects.

Prior to the receipt of Hometown's initial proposal on 13 June 2018, Gateway had a market capitalisation of approximately $555 million.

4.2 Strategy

Gateway's strategic objective is to be the leading operator of residential land lease communities in Australia delivering a quality lifestyle for independent over 50s and provide sustainable long term returns for investors. Its strategy centres around:

- efficiently operating high quality land lease communities across eastern and southern Australia that support ageing in place options for residents (and shifting its portfolio to concentrate on these types of assets);
- growing the long term annuity style income that is generated from the communities;
- developing new homes and new communities:
  - that are affordable for the target market;
  - that meet, if not surpass, residents' expectations;
  - that build income and enhance the growth profile of the business; and
  - at a level that is financially sustainable;
- acquiring established communities if, and when, attractive opportunities arise.

Gateway's target is to:

- achieve per site rental growth of the higher of CPI and 3 to 5% per annum;
- deliver approximately 250 settlements on average per year;
- acquire 200-300 long term sites per annum; and
- grow the portfolio to 10,000 long term lease sites over the medium to longer term.

4.3 Business Operations

Gateway has two business segments:

- ownership and operation of the existing portfolio of residential land lease communities ("Operations"); and
- development and sale of new manufactured homes to individual retirees ("Development").

4.3.1 Operations

Overview of the Property Portfolio

Gateway's 58 residential land lease communities are located on the east coast of Australia, except for two recent acquisitions in South Australia. The portfolio predominantly comprises residential land lease communities but there are a number of mixed use communities with short term tourism type accommodation. Within the portfolio, there is a considerable degree of diversity in the quality of the accommodation (from simple metal structures with annexes and common laundries to three bedroom contemporary homes). All properties are 100% owned by Gateway. The portfolio is summarised below (full details of Gateway's portfolio can be found in Appendix 2):

GATEWAY – PORTFOLIO OVERVIEW (30 JUNE 2018)

	STATE	QUANTITY	TOTAL SITES	LONG TERM	VACANT DEVELOPMENT	SHORT TERM	ASSET VALUE ($ MILLIONS)
Mature	QLD	7	1,120	1,114	6	-	102
	NSW	16	2,260	2,207	35	18	199
	VIC	1	50	50	-	-	3
	SA	1	348	348	-	-	29
Subtotal / average		**25**	**3,778**	**3,719**	**41**	**18**	**333**
Expansion	QLD	5	801	631	170	-	73
	NSW	11	2,441	1,411	825	205	154
	VIC	2	220	10	210	-	10
	SA	1	208	147	61	-	19
Subtotal / average		**19**	**3,670**	**2,199**	**1,266**	**205**	**257**
Conversion	QLD	1	142	118	24	-	14
	NSW	10	1,668	982	116	570	105
	VIC	2	157	71	-	86	6
	ACT	1	193	91	-	102	19
Subtotal / average		**14**	**2,160**	**1,262**	**140**	**758**	**143**
Total		**58**	**9,608**	**7,180**	**1,447**	**981**[6]	**733**

Source: Gateway

Gateway continuously reviews its property portfolio and seeks to optimise both its geographic footprint as well as its product mix. Its current focus generally involves a shift towards mature communities (rather than mixed/conversion) and acquisition of high quality greenfield opportunities. Recent and pending transaction activity includes:

- the acquisition of Rosetta and SeaChange, expanding Gateway's footprint into South Australia; and
- the sale of Failford (completed prior to year-end), Bass Hill (completed post 30 June 2018) and Acacia Ponds (pending).

Business Activities

Business activities are focussed on:

- site fee collection and site fee reviews. Rental income consists predominantly of long term site rental income, which is predictable, non-seasonal and akin to annuity income. Long term site rental is generally paid fortnightly mostly through automatic payments. Site fees are generally increased at a minimum of CPI annually but may also be increased at a greater rate in certain circumstances

[6] One short term site is not equivalent to a long term site. In a conversion, the conversion ratio of short term sites to long term sites is generally in the range of 2:1 to 3:2.

permitted under the relevant State based legislation. Gateway also receives rental income from short term sites at a limited number of its communities which are generally at rates materially higher than long term sites but incur higher vacancies (e.g. during off seasons) and a higher level of operating costs;

- ensuring individual communities are well managed, delivering quality services to residents. The majority of the communities typically have an on-site manager supported by a small head office team that is responsible for staffing and asset management. Services such as gardening, lawn mowing and general maintenance is undertaken by a combination of permanent and casual labour and third party suppliers; and
- operating cost control. In this context, management has recently implemented a number of projects including labour streamlining and other cost savings initiatives with a focus on efficient and effective community operations.

4.3.2 Development

Overview of Development Models

The Development business generates revenue from the sale of individual manufactured homes to incoming residents. Activities comprise:

- conversion of (groups of) individual sites in mixed use communities from short term holiday leases, permanent structures under site agreements, to long term permanent residents;
- expansion of existing communities owned by Gateway. These projects include both vacant land within a community and adjacent land; and
- creation of new residential land lease communities.

Conversion of sites at mixed use communities has a number of attractions compared to greenfields development:

- much of the necessary (and expensive) infrastructure is already in place;
- planning consent processes are normally very straightforward;
- the development period is significantly shorter; and
- there is cash flow on the short term leases up until construction commences.

However, there are logistical complications and inefficiencies in the development/construction process (e.g. projects are smaller in scale and there is a need to actively manage and mitigate disruption for existing residents).

Expansion of an existing community provides similar advantages to conversions and is usually easier from a logistical point of view, as community facilities and infrastructure are already in place.

Greenfields development is slower, more complicated and involves higher outlays for infrastructure. On the other hand, the much larger scale of each project generates significant efficiencies and it provides the opportunity to offer a more uniform standard (in terms of quality) and to ensure ancillary services best meet current market requirements.

Historically, Gateway's development activities were focussed on conversion either within its existing portfolio or through acquiring mixed use parks with significant potential. Over time, Gateway expects to either convert all sites to manufactured homes on long term leases or sell the community (many mixed use communities are sub scale). However, as the industry has progressively completed conversion programs, the opportunities for attractive acquisitions with conversion potential have diminished. Accordingly, Gateway, along with other operators, has necessarily moved towards greater emphasis on greenfields development (although it is yet to complete one).

Pipeline

As at 30 June 2018, Gateway's development pipeline comprised:

- 13 communities with 981 sites designated for ultimate conversion (if the community is not sold);
- existing communities with expansion potential for 1,447 sites; and
- four greenfields projects:

GATEWAY – GREENFIELD PROJECTS

LOCATION	SITES	LAND COST PER SITE ($000S)
Old Bar	181	29
Evans Head	176	42
Silverwood	145	31
Lakes Entrance (under option)	94	14
	596	

Source: Gateway

In due course, Gateway expects that all development will be greenfields and expansions and it has a medium term target of approximately 1,000 sites under development at any one time.

Business Activities

Gateway:

- identifies and acquires suitable land holdings (for greenfields development);
- manages all the necessary planning processes;
- produces the community master plan, designs house packages and community facilities;
- organises infrastructure works for which local contractors are generally used;
- undertakes a sales and marketing program; and
- supervises construction of community centres and residences which is outsourced to a range of suppliers.

Manufactured homes are sold on either an "off the plan" basis which minimises the capital required (upfront deposits received cover a large portion of the cost) or from its manufactured home display stock (which requires investment in inventory). As these are owner/occupied dwellings confidence in the finished product is paramount so display stock is generally necessary. Ideally, Gateway builds a small amount of display stock and when an acceptable level of pre sales is achieved it commences a build out program.

Gateway's marketing strategy consists of a targeted marketing approach in local catchment areas in close proximity to its communities, utilising channels including print and digital media, advertising in local classifieds and its online presence.

Homes are usually priced with consideration to the median house price in the catchment area, allowing potential residents to realise equity capital from the sale of the existing homes.

4.4 Financial Performance

The historical financial performance of Gateway for the six years ended 30 June 2018 is summarised below:

GATEWAY – FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE					
	2013 PRO FORMA	2014 PRO FORMA	2015 PRO FORMA	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL
REVENUE						
Operations	13.4	21.4	39.1	49.7	61.4	68.1
Development	13.8	27.0	30.6	64.1	57.5	61.6
Other	-	0.3	0.7			
Total revenue	**27.2**	**48.8**	**70.3**	**113.8**	**118.9**	**129.7**
EBITDA						
Operations	7.5	12.3	22.5	31.2	34.7	38.7
Development	3.9	9.7	13.5	26.3	25.3	25.0
Corporate	(1.7)	(4.1)	(7.0)	(14.3)	(14.6)	(15.0)
Adjusted EBITDA[7]	**9.7**	**18.0**	**29.0**	**43.2**	**45.3**	**48.7**
Depreciation and other amortisation	(5.3)	(6.3)	-	(0.1)	(0.5)	(0.4)
EBIT[8]	**4.4**	**11.7[9]**	**29.0**	**43.0**	**44.8**	**48.3**
Finance costs (net)				(6.8)	(6.4)	(8.7)
Significant and non recurring items				(4.7)	(4.6)	(2.5)
Fair value adjustments				1.2	25.0	22.2
Operating profit before tax				**32.8**	**58.7**	**59.3**
Income tax expense				6.2	(1.1)	(1.0)
NPAT[10] attributable to Gateway securityholders				**38.9**	**59.7**	**58.2**
Non cash adjustments				(1.0)	(20.1)	(17.5)
Distributable earnings attributable to Gateway securityholders				**37.9**	**39.6**	**40.7**
STATISTICS						
EBITDA margin – Operations	*56%*	*57%*	*58%*	*63%*	*57%*	*57%*
EBIDA margin – Development	*28%*	*36%*	*44%*	*41%*	*44%*	*41%*
Basic earnings per security (cents)				*14.6*	*19.9*	*19.3*
Diluted earnings per security (cents)				*14.6*	*19.9*	*19.3*
Distributable earnings per security (cents)				*13.2*	*14.3*	*13.2*
Distribution per security (cents)				*10.9*	*9.1*	*9.1*

Source: Gateway and Grant Samuel analysis

7 EBITDA is earnings before net interest, tax, depreciation and amortisation, and significant and non-recurring items (including fair value adjustments).

8 EBIT is earnings before net interest, tax, and significant and non-recurring items (including fair value adjustments).

9 Before impairment expense.

10 NPAT is net profit after tax.

In analysing these results, it should be noted that:

- prior to the IPO in 2015, Gateway operated under a different capital structure. Accordingly, outcomes below the EBIT line have been excluded as they are not comparable to the current business;
- the results for FY13 and FY14 are based on pro forma results for those years set out in the Prospectus;
- the statutory results for FY15 only included activities from 15 June 2015 to 30 June 2015 and are therefore not meaningful. The pro forma results set out above for FY15 (which have not been audited) assume the restructuring occurred on 1 July 2014;
- while the bottom line the results for FY16-18 are the same as the reported statutory results, individual components have been recategorized between business units and, as in some cases, treated as non-recurring cost so as to give a more meaningful guide to underlying earnings performance. These non-recurring items included:
  - FY16 – IPO restructuring costs, write offs relating to Edgewater and hedge accounting adjustments;
  - FY17 – severance costs associated with restructuring ($1.5 million), professional fees for legacy issues ($1.7 million) and proceeds from sale of land; and
  - FY18 – non-cash statutory adjustments and takeover defence costs;
- revenue and profit from the sale of new manufactured homes is only recognised on settlement of the sale;
- corporate costs include listed company costs, senior management and executives associated with supervising the existing portfolio and overseeing development activities; and
- income is primarily generated through RPT 2 (and its subsidiary trusts) which, as unit trusts, are not subject to corporate income tax on passive income (such as site fees). Profits from development are subject to tax at 30% but after corporate costs, depreciation allowances and other adjustments, tax expense is lower. Accordingly:
  - the tax expense for Gateway Lifestyle Group is minimal (<5% in FY17 and FY18); and
  - distributions have not been franked;
- distributable earnings per security is after adjustments to exclude non-cash items such as fair value adjustments, depreciation and amortisation of security based one-off expenses; and
- Gateway's distribution policy is to pay out approximately 65-85% of distributable earnings.

Operations

Revenue and EBITDA have shown very substantial growth since FY13, but this reflects the impact of the significant number of acquisitions that have occurred over the period (and which typically only make a part year contribution in the year of acquisition):

GATEWAY –NUMBER OF COMMUNITIES AND SITES

	YEAR ENDED 30 JUNE						
	2012	2013	2014	2015	2016	2017	2018
Communities at end of year	5	9	24	36	53	56	58
Total long term occupied sites at end of year	654	1,008	3,115	4,351	5,944	6,539	7,180
Total sites at end of year	n/a	n/a	3,767	5,861	9,515	9,468	9,608

Source: Gateway

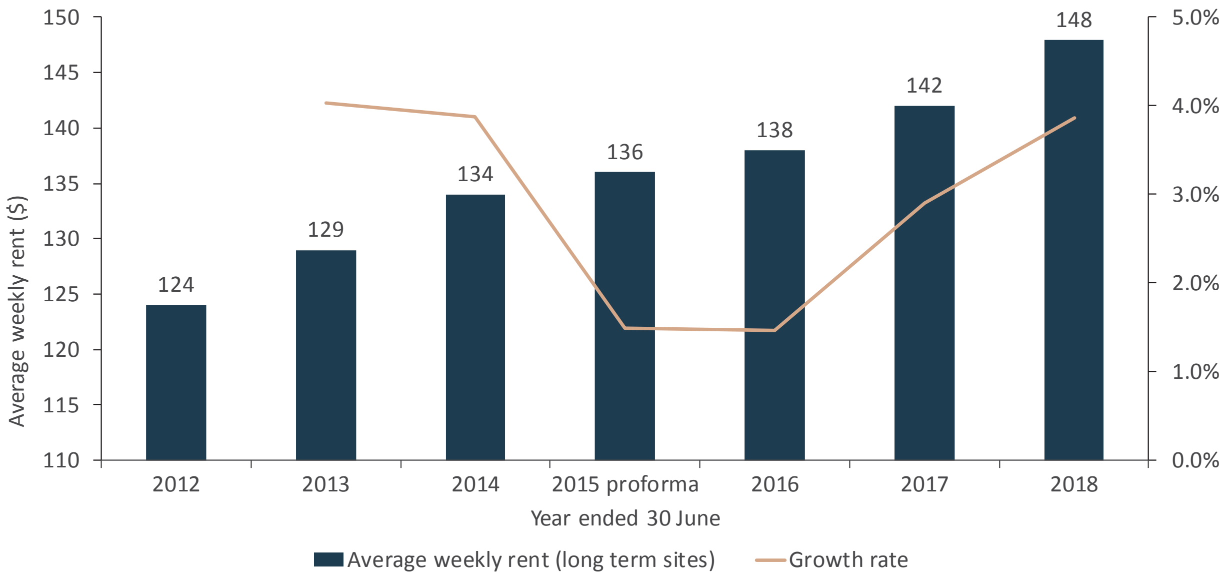
The growth in the number of communities has been driven by acquisition rather than greenfield development. The following table outlines the extent of recent acquisition activity:

GATEWAY – ACQUISITIONS

	YEAR ENDED 30 JUNE		
	2016	2017	2018
Communities	17	5	4
Sites	3,403	556	881
Cost ($millions)	147	42	56
Cost per rentable site ($000)	43	71	65

Source: Gateway

To provide a more meaningful insight into the underlying level of revenue growth and earnings performance, the following chart shows average rental per long term site and annual growth in that rental:



Source: Gateway

Gateway targets the higher of CPI and 3-5% rental growth per annum. CPI increases underpin the growth but factors such as reversionary uplifts (i.e. the opportunity to rebase rentals to "market" when a resident leaves) help deliver above CPI growth. In this context, average market rents are currently estimated at $166 per week (compared to $148 for FY18). The chart shows that Gateway has achieved a moderate but steady increase in rentals per site over the past five years, with a cumulative average annual growth rate over FY12-18 of 3.0% or, of more relevance, approximately 4.0% per year on a like for like basis[11].

Other points of note include:

- long term rentals as a proportion of total site fees have been steadily increasing and were 82% in FY18. As further conversions are completed and the portfolio rationalised, Gateway expects that this ratio will move to over 90% (with short term tourist type accommodation likely to only be in one or two specific parks, such as Canberra); and

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[11] Source: Gateway

- average EBITDA margins have consistently been around 57-58%. There was a bump up in FY16, but this was an anomaly caused in part by a combination of the recognition of costs in the corporate cost base and the timing of acquisitions made part way during the year (particularly peak season tourism income). The longer term strategy is to move this margin above 60% over the next 2-3 years. Margins do vary across the portfolio with well-established larger communities generating closer to 70% margins.

Development

Growth in Development revenues and EBITDA since FY12 has also benefitted from the acquisition activity and the associated increased scale of opportunity for development. This particularly applies to conversions and expansions but greenfields potential is also enhanced through the greater scale and financial capacity. The business has now reached a "steady state" with an EBITDA contribution (before corporate costs) of approximately $25 million per annum.

The following table shows key operating parameters for the development business since FY12:

GATEWAY – DEVELOPMENT OPERATING PERFORMANCE

	YEAR ENDED 30 JUNE						
	2012	2013	2014	2015	2016	2017	2018
Average selling price per home ($000s)	215	251	257	246	245	239	261
Average development cost per home ($000s)	(101)	(179)	(165)	(138)	(144)	(134)	(155)
Average development margin per home ($000s)	114	72	92	108	100	105	106
Number of settlements	13	55	105	124	262	241	236

Source: Gateway

Key features of this performance include:

- the average selling price has been relatively stable at around $250,000 since 2013. However, the average disguises a wide range of individual prices. For example, some conversions in lower end communities may sell for as little as $100,000. The typical selling price of a new home in a non-metro greenfields or higher quality expansion is around $275,000 with a cost of approximately $160,000-170,000 (excluding land and infrastructure). Average selling prices and costs have therefore been impacted by the mix between conversion and expansion and the quality of the communities in which these are occurring;
- notwithstanding these mix issues, Gateway has been able to achieve a steady average profit margin per dwelling of around $100,000-110,000 over the FY15-18 period (up from previous years); and
- settlement volumes over the past three years have averaged 246 per annum. In each of FY17 and FY18, Gateway had budgeted for higher levels than was achieved but fell short because of:
    - adverse weather in FY17; and
    - poor sales execution in a moderating residential property market in FY18.

Outlook

Gateway has not publicly released earnings forecasts for FY19 or beyond. In order to provide an indication of the expected future financial performance of Gateway, Grant Samuel has considered brokers' forecasts for Gateway (see Appendix 1). The consensus forecasts are summarised below:

GATEWAY – FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR END 30 JUNE		
	2018 ACTUAL	BROKER CONSENSUS (MEDIAN)	
		2019F	2020F
Sales revenue	129	131	138
EBITDA	49	52	55
EBIT	48	52	55
NPAT[12]	38	43	45
Distributable earnings per security (cents)	13.2	14.9	16.0
Distributions per security (cents)	9.1	9.8	10.2

Source: Grant Samuel analysis (see Appendix 1)

4.5 Financial Position

The financial position of Gateway as at 30 June 2017 and 30 June 2018 is summarised below:

GATEWAY - FINANCIAL POSITION ($ MILLIONS)

	AS AT 30 JUNE 2017 ACTUAL	AS AT 30 JUNE 2018 ACTUAL
Debtors and prepayments	7.4	5.7
Inventories	18.3	29.8
Current tax asset/(liability)	(4.5)	(0.0)
Deposits held	(5.5)	(0.4)
Distribution payable	(16.8)	(16.2)
Creditors, accruals and provisions	(23.3)	(17.1)
Net working capital	**(24.4)**	**1.7**
Investment properties	622.8	732.9
Property, plant and equipment (net)	0.5	0.3
Goodwill	140.4	140.4
Other intangible assets (net)	0.5	0.6
Deferred tax assets (net)	8.5	7.6
Provisions	(0.2)	(0.4)
Total funds employed	**748.1**	**883.3**
Cash and deposits	22.6	7.3
Bank loans, other loans and finance leases	(178.2)	(257.5)
Interest rate swaps (net)[13]	(0.2)	(0.4)
Net borrowings	**(155.8)**	**(250.7)**
Net assets	**592.3**	**632.6**
Outside equity interests	-	-
Equity attributable to Gateway securityholders	**592.3**	**632.6**

12 NPAT has been adjusted to exclude fair value adjustments and advisory fees relating to corporate defence and capital management services.

13 The interest rate swaps amount of $0.4 million includes an amount of $0.1 million that is allocated to derivatives and $0.3 million that is allocated to payables in Gateway's FY18 Annual Report.

	AS AT 30 JUNE 2017 ACTUAL	AS AT 30 JUNE 2018 ACTUAL
STATISTICS		
Securities on issue at period end (million)	299.4	303.7
Net assets per security	$1.98	$2.08
NTA[14] per security	$1.51	$1.59
Gearing[15]	20.8%	28.4%

Source: Gateway and Grant Samuel analysis

Gateway's balance sheet primarily consists of its investment property assets and is funded by a gearing level of approximately 30%. A feature of the 30 June 2018 balance sheet is the relatively high level of working capital currently in the business, which is driven by the lower than expected volume of settlements in the second half of the year which has resulted in the company:

- holding higher than anticipated levels of inventory; and
- having a lower level of deposits held.

Trade debtors are minimal as rentals are collected in advance.

Investment properties comprise Gateway's portfolio of land lease communities. They are carried at the latest independent valuation (predominantly June 2018) with adjustments for any subsequent capital expenditure or other minor adjustments. The portfolio includes both rentable sites and vacant land (either expansion sites at existing communities or greenfields projects). The weighted average (and median) capitalisation rate for the portfolio (excluding vacant land) is 7.1%. There is a range from 6.3% to 12% (for certain mixed use communities) but 40 of the 55 operating communities are between 6.3% and 8.0%.

Goodwill arose at the time of the restructuring prior to the IPO to create Gateway. It is allocated between Operations and Development.

Net borrowings consist principally of long term senior debt as follows:

GATEWAY – NET BORROWINGS AT 30 JUNE 2018 ($ MILLIONS)

FACILITY	FACILITY SIZE	AMOUNT DRAWN	TERM/MATURITY
Facility A	175.0	164.3	June 2020
Facility B	35.0	24.1	June 2020
Facility C	70.0	70.0	February 2020
Finance leases		0.4	
Insurance funding agreement		0.3	
Capitalised borrowing costs		(1.6)	
Total interest bearing liabilities	**280.0**	**257.5**	
Cash and short term deposits		7.3	
Interest rate swaps (net)		(0.4)	
Net borrowings		**250.7**[16]	

Source: Gateway

In March 2018 Gateway commenced discussions with its financiers to extend the total amount available under its current debt facility from $280 million to $350 million. Implementation of these changes has been paused pending the outcome of the Hometown Offer.

14 NTA is net tangible assets, which is calculated as net assets less intangible assets and deferred tax assets.

15 Gearing is net borrowings divided by net assets plus net borrowings.

16 For valuation purposes capitalised borrowing costs are included in net borrowings, providing a net borrowings figure of $252.3 million.

4.6 Cash Flow

The historical operating cash flows of Gateway for the three years ended 30 June 2018 are summarised below:

GATEWAY – CASH FLOWS ($ MILLIONS)

	YEAR ENDED 30 JUNE		
	2016	2017	2018
Operating EBITDA (as reported)	38.5	40.6	46.2
Changes in working capital and other adjustments	(2.6)	(1.6)	(13.6)
Operating cash flow	**35.9**	**38.9**	**32.5**
Capital expenditure	(21.2)	(29.5)	(42.0)
Purchase of investment properties (net)	(156.0)	(45.6)	(50.0)
Net interest	(3.3)	(6.3)	(8.6)
Tax payments	(0.5)	(0.9)	(2.3)
Distributions to security holders	(13.2)	(27.2)	(22.5)
Equity raised (net of expenses)	115.2	-	-
Other non-operating cash flows	0.4	(0.2)	-
Other non cash flow movements	-	-	(1.6)
Decrease / (increase) in net borrowings	**(42.7)**	**(70.7)**	**(94.6)**

Source: Gateway

As a property ownership and development business, the cash flows profile is different to a normal trading company. The capital expenditure is not related to operating cash flow as it represents expenditure on converting or building new homes (through expansion or greenfields developments).

Nevertheless, the cash flows do show:

- the increase in working capital outflows in FY18 as a result of the jump in inventories (see 4.5 above) and reduced payables;
- the substantial funds spent on acquisitions across the three years ($250 million in total);
- that the combined capital expenditure and acquisitions of almost $350 million has been mostly funded by debt (the equity contribution being only $115 million); and
- that distributions, interest and tax payments have largely been matched to the group's operating cash flows.

4.7 Capital Structure and Ownership

4.7.1 Capital Structure

Gateway has the following securities on issue:

- 303,726,580 fully paid securities; and
- 3,787,226 performance rights, comprising:
  - 1,366,465 Gateway Security Appreciation Rights (FY16);
  - 1,554,292 Gateway Security Appreciation Rights (FY17); and
  - 866,469 Security Rights (FY18).

Gateway operates a Long Term Incentive scheme under which performance rights are granted to senior management enabling them to acquire fully paid securities for nil consideration if certain performance conditions are met. Depending on the instrument, vesting is linked to both absolute total securityholder return and total securityholder return relative to the ASX 200 Industrial Accumulation Index, or Distributable Earnings growth over a three year period from grant date. Unless the GL Operations board determines otherwise, performance rights lapse on resignation or termination for cause. Where employment ceases in any other circumstances, unless the board determines otherwise, a pro rata portion of the unvested performance rights will remain on foot and be tested in the ordinary course. In the case of a change of control, the board may determine in its absolute discretion whether any or all of the performance rights will vest.

4.7.2 Ownership

At 30 July 2018, there were 2,289 registered securityholders in Gateway. The top 20 securityholders accounted for approximately 86.5% of the ordinary securities on issue.

Gateway has received notices from the following substantial securityholders:

GATEWAY – SUBSTANTIAL SECURITYHOLDERS

SECURITYHOLDER	DATE OF NOTICE	NUMBER OF SECURITIES	PERCENTAGE[17]
A.C.N. 626 522 085 Pty Ltd (Hometown)	13/06/2018	55,283,893	18.20%
Massachusetts Financial Services Company and its related bodies corporate	09/04/2018	21,413,280	7.05%
UBS Group AG and its related bodies corporate	12/06/2018	18,128,688	5.97%
SAS Trustee Corporation	01/09/2016	16,316,948	5.37%
Challenger Limited	07/11/2017	15,978,526	5.26%
Wavestone Capital Pty Limited	07/11/2017	15,927,575	5.24%
Mitsubishi IFJ Financial Group, Inc	18/07/2018	15,570,442	5.13%
Morgan Stanley and its subsidiaries	18/07/2018	15,570,442	5.13%

Source: Gateway

A.C.N 626 522 085 Pty Ltd is the holding entity for Hometown. As per Hometown's Bidder Statement, Hometown currently has a relevant interest in 55,283,893 Gateway securities representing approximately 18.2% of Gateway securities on issue. Hometown's relevant interest arises from pre-bid agreements over 26,348,607 securities (representing 8.7% of Gateway securities on issue) with the following parties:

- Colonial First State Asset Management (Australia) Limited (9,372,568 securities or 3.1%);
- Maso Capital Investments Limited, Blackwell Partners LLC – Series A and Star V Partners LLC (9,476,039 securities or 3.1%); and
- Wavestone Capital Pty Limited (7,500,000 securities or 2.5%).

Additionally, Hometown has an interest in 28,935,286 securities (representing 9.5% of Gateway securities on issue) held either directly or by associated parties.

[17] Based on 303,726,580 securities on issue

4.8 Security Price Performance

4.8.1 Security Price History

The following graph illustrates the movement in the Gateway security price and trading volumes since listing on 15 June 2015:

Source: IRESS and Grant Samuel analysis

Gateway securities were issued at a price of $2.00 and on the first day of trading (15 June 2015) closed at $2.11. The first six months of trading saw a steady increase in the security price to a peak of $3.04[18] in December 2015. During this period, market expectations moved up strongly, particularly in relation to the level of settlements on new home sales. The security price fell sharply in August 2016 following the announcement of the FY16 results, which, while broadly in line with IPO forecasts:

- were assisted by the impact of acquisitions; and
- reflected settlement levels below the expectations that had developed.

From August 2016 to April 2018, the security price was more stable but exhibited a slow downwards drift to around $2.00. The decline accelerated following the June 2017 announcement of the earnings downgrade for FY17 (as a result of adverse weather causing delays on key development projects). Another earnings downgrade announced in early May 2018 (in relation to FY18 earnings) saw the security price reach a low point of $1.69 on 21 May 2018.

The closing Gateway security price on 12 June 2018 (the day prior to announcement of the initial Hometown offer) was $1.83 (equivalent to $1.777 ex distribution). From 13 June 2018 to 10 August 2018, Gateway securities have traded in the range $2.10-$2.41 at a volume weighted average price of $2.28.

Gateway securities have traded at a significant premium to NTA, particularly in the period prior to August 2016. That premium is primarily attributable to the value of Gateway's development activities which contribute EBITDA of around $25 million per annum (albeit requiring investment in vacant land and inventory). Some of the premium may also have been due to expectations of future increases in reported NTA as the continuing decline in capitalisation rates across the sector lifted the inherent value of the portfolio.

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[18] The high security price of $3.04 in December 2015 is made up of an unadjusted security price of $3.07 and an adjustment to account for Gateway's rights issue that occurred on 10 March 2016.

The premium has steadily diminished since its peak in late 2015 and it was only 10-20% in the period prior to announcement of the initial Hometown proposal. This deterioration probably reflects an increasing degree of concern by the market as to Gateway's ability to execute its development program and to achieve its targeted settlement rates, particularly as the broader residential property market has come off its peak (particularly in New South Wales) over the last 12-18 months.

4.8.2 Relative Performance

Gateway is a member of various indices including the S&P/ASX 200 Industrial Index and the S&P/ASX 200 Real Estate Index. Its weighting in these indices is approximately 0.05% and 0.52% respectively. The following graph illustrates the performance of Gateway securities since listing on 15 June 2015 relative to these Indices and its key listed competitor, Ingenia:

Source: IRESS and Grant Samuel analysis

Gateway performed broadly in line with both indices and Ingenia across the whole period from listing until late 2017, but this disguises:

- a period of outperformance post IPO up until its FY16 results announcement in August 2016; and
- a period of general underperformance over the next two years (from August 2016 until the initial Hometown proposal in June 2018).

4.8.3 Liquidity

Gateway has been a reasonably liquid stock. Average weekly volume over the twelve months prior to the announcement of the Hometown's initial proposal represented approximately 2.5% of average securities on issue (132% per annum).

5 Valuation of Gateway

5.1 Summary

Grant Samuel has valued Gateway in the range $905-955 million which corresponds to a value of $2.13-2.30 per security. The valuation is summarised below:

GATEWAY – VALUATION SUMMARY ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE ($ MILLION)	
		LOW	HIGH
Property portfolio	5.2	745.0	758.6
Development	5.3	270.0	320.0
Head office costs (net of savings)	5.4	(110.0)	(123.4)
Enterprise value		**905.0**	**955.2**
Net borrowings at 30 June 2018	5.6	(252.3)	(252.3)
Value of equity		**652.7**	**702.9**
Fully diluted securities on issue (millions)	5.7.1	306.1	306.1
Value per security		**$2.13**	**$2.30**

The valuation represents the estimated full underlying value of Gateway assuming 100% of the group was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Gateway securities to trade on the ASX in the absence of a takeover offer.

The value of Gateway's business operations has been estimated from two perspectives:

- as a sum of the parts comprising its two main activities:
  - a passive portfolio of land estates across Australia which generate a rental income; and
  - a development business which converts short term sites at existing estates, undertakes expansion projects on existing estates and develops new estates.

  The property portfolio has been valued in the range $745-759 million. This value is based on independent valuations of each estate, takes into account the operating expenses associated with individual estates, and includes a premium to reflect the additional value of a large group of attractive assets in a single portfolio as well as a number of other factors. The value attributed to the development business is an overall judgement primarily having regard to multiples of EBITDA; and
- as an integrated business where development is undertaken to drive growth in the underlying long term site rental income stream. A DCF analysis has been utilised to estimate the value under this approach.

These values have been aggregated together with other assets and liabilities (including borrowings) to determine a value for equity in Gateway.

The value attributed to Gateway implies the following overall earnings multiples and other valuation parameters:

GATEWAY – IMPLIED VALUATION PARAMETERS

	VARIABLE ($ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Multiple of EBITDA (times) – Business Operations			
Year ended 30 June 2018	48.7	18.6	19.6
Year ending 30 June 2019	52.1	17.4	18.3
Multiple of EBIT (times) – Business Operations			
Year ended 30 June 2018	48.3	18.7	19.8
Year ending 30 June 2019	51.8	17.5	18.4
Multiple of NPAT (times) – Equity			
Year ended 30 June 2018	38.5	16.9	18.2
Year ending 30 June 2019	42.6	15.3	16.5
Exit Yield[19]			
Year ended 30 June 2018	9.10	4.3%	4.0%
Year ending 30 June 2019	9.80	4.6%	4.3%
Multiple of NTA (at 30 June 2018)			
Geared	484.2	1.35	1.45
Ungeared	736.5	1.23	1.30

Gateway's forecast FY19 earnings are not included in the Target's Statement and therefore this information has not been disclosed in this report. Accordingly, the implied prospective multiples set out above are based on the median of brokers' forecasts for Gateway (see Appendix 1 for details). These forecasts are sufficiently close to the FY19 Budget to be useful for analytical purposes.

In Grant Samuel's view, these outcomes are reasonable having regard to:

- the positive demographic and economic factors underpinning the long term growth potential of the residential land lease industry;
- the strategic value of Gateway's portfolio which provides an acquirer with an instant market leadership position in the Australian residential land lease industry;
- valuation parameters applying to other comparable listed entities (which exclude a premium for control);
- capitalisation rates applying to residential land lease communities and the differential that may be appropriate for a large, diversified portfolio that is institutionally investible;
- the earnings contribution from the Development business and the earnings mix between Operations and Development; and
- the relative consistency of Development earnings and the underpinning provided by the current pipeline.

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19 Exit yield has been calculated as distribution per unit divided by consideration per unit.

5.2 Property Portfolio

Gateway's property portfolio has been valued in the range $745-759 million. This value uses the adjusted book value of the portfolio as at 30 June 2018 as a starting point but also makes allowance for a premium. The adjusted value is summarised below:

GATEWAY PROPERTY PORTFOLIO – VALUATION ($ MILLIONS)

	SECTION REFERENCE	VALUE $ MILLION
Investment properties per balance sheet	5.2	732.9
Remove: Greenfields developments and vacant sites	5.2	(55.6)
Add: Portfolio premium	5.2	67.7 – 81.3
Value of property portfolio		**745.0 – 758.6**

Book Value of Property Portfolio

The book value of Gateway's property portfolio as at 30 June 2018 is $733 million:

These values reflect the latest valuations undertaken by independent valuers. To the extent that the valuations are as at earlier dates (e.g. 31 December 2017), there may be differences to allow for events since the valuation date (e.g. capital expenditure). Approximately 73% of the property portfolio (by value) was independently valued as at (or close to) 30 June 2018 and a further 24% was independently valued as at (or prior to) 31 December 2017.

Grant Samuel has not undertaken any valuations of the individual properties owned by Gateway and, for the purposes of this report, has relied on the independent property valuations commissioned by Gateway for those properties in determining the underlying net asset value of investments in property assets (refer to Section 2.4 of this report for the basis on which the independent valuations have been prepared).

Given the short time that has elapsed since 30 June 2018 and 31 December 2017 and the nature of the assets being valued (i.e. passive investments in property assets for which there is no liquid market), there is unlikely to have been any material change in the market value of these assets since they were valued.

Vacant Land Adjustment

Greenfield developments and vacant land within the existing portfolio (that is proposed to be developed) are non income generating assets. In Grant Samuel's opinion, it is appropriate to treat them as part of the development business. In fact, investment in vacant sites is a necessary part of the development business and is needed to underpin the pipeline of manufactured home sales which in turn generates the $20-30 million per annum in EBITDA from that activity. It is in effect the "land bank" investment of the development business not an investment property. In other words, treating this land as an investment asset on top of the value of the development income stream would double count it.

Accordingly, the book value at 30 June 2018 has been adjusted to remove:

- the value attributed to Gateway's three greenfields developments (aggregate value $18.4 million); and
- the values attributed by the independent valuers to vacant land/expansion potential within each valuation of Gateway's investment properties.

Operating Expenses

The total expenses allocated to Operations ($29.4 million in FY18) is the aggregate of the costs incurred at each community. The individual valuations also allow for expenses at each estate. Accordingly, all the operating expenses are reflected in the valuations (at least conceptually).

There may be some differential:

- the independent valuers value each estate on the basis that it is an "owner/operator" estate. Accordingly, they adjust a number of expense items to reflect this basis of value. For example, Gateway incurs payroll tax, but an individual operator would be under the threshold. In addition, they may adjust actual expenses (up or down) to reflect "market standard" costs;
- Gateway does incur some expenses that wouldn't be reflected as costs at an individual property; and
- Gateway does enjoy some economies of scale relative to an individual operator (for example, insurance).

However, it is not possible to measure the differentials precisely and they are, in any event, not considered likely to be material in the context of the portfolio valuation.

Gateway also incurs corporate overheads related to managing the portfolio which are not reflected in the valuations. A separate adjustment has been made for corporate costs (see Section 5.6).

Portfolio Premium

As a matter of principle, there should be no "premium for control" above the independent valuations for each property in the portfolio which are already "control values". There is no higher value for these assets as each independent valuation is for 100% of the asset. However, portfolios of properties sometimes change hands at premiums to the aggregate of individual valuations. The reasons for these premiums vary from case to case but typically reflect one or more of the following factors:

- the value of a portfolio to an acquirer in terms of instant diversification and efficiency (both in time and cost) when compared to accumulating an equivalent portfolio on a piecemeal basis over time. In addition, there is a structural saving (i.e. reduced stamp duty costs) in acquiring a portfolio of properties via the acquisition of a listed REIT;
- larger portfolios of quality properties have scarcity value and may represent a strategic acquisition for some buyers;
- economies of scale and synergies that can be achieved by the acquirer's existing operations;
- increases in the value of individual properties since the latest valuations; and
- value inherent in development potential at individual properties.

Equally, property portfolios may change hands at a discount to valuation because:

- not all properties in a portfolio may be equally attractive to acquirers and a discount would be applied to non-core assets (particularly if acquirers were likely to sell them);
- of weak market conditions with declining property values and limited access to finance; and
- material cost synergies are not available (e.g. due to geographic spread of portfolio).

In the case of Gateway, a portfolio premium of 10-12% has been applied to the adjusted book value (i.e. excluding vacant land). While the extent of any premium is essentially judgemental (rather than evidence based), Grant Samuel believes this to reflect appropriately the attributes of the portfolio and other factors.

There are two primary reasons for the premium:

- the book value of the portfolio is based on the aggregate of the individual estate valuations each of which estimates value in the context of an individual owner/operator. Yields have come down over the past few years (from over 8% to less than 6.5% in some cases) as the consolidation into larger portfolios has made the asset class more attractive to institutional investors (as well as other factors such as sustained low interest rates and declines in yields for other property classes). Consolidation allows institutions to invest at scale in assets with geographic diversification and, potentially, liquidity. Recent valuations of (and transactions involving) individual properties reflect this trend but nevertheless it is Grant Samuel's view that a large, well diversified portfolio of good quality estates would trade at yields below the level adopted by valuers for individual properties;
- the clear strategic value of Gateway's portfolio. It:
  - provides any acquirer with an immediate leadership position in the Australian market. Gateway is the largest operator of residential land lease communities in Australia with over 50 operating communities and a market share of approximately 15% (of those focussed on permanent residents);
  - offers a well diversified spread of properties across the eastern seaboard of Australia and South Australia; and
  - represents a very powerful platform from which to pursue further acquisitions and consolidation opportunities (in what is still a fragmented industry).

The strategic value is evident from the interest expressed by Hometown, Brookfield and others with whom Gateway has engaged. There has never been a transaction in this sector in Australia on this scale.

In addition:

- there is the potential revenue enhancement from reversionary rents. Gateway management estimates that at current market rates (for each community), the portfolio would generate an average of $166 per week compared to the current realised average of $148 per week. At the same time, this uplift, even if it could be achieved, would only be able to be realised over a number of years (as residents exit or as rent review processes allow);
- there may be some stamp duty savings for a bidder by acquiring the Gateway corporate structure relative to acquiring the properties individually. However, there are complications. For example, in Queensland and Victoria, while the rate in a corporate transaction is concessional, it is payable on the total value of the property (including the resident's home which is generally worth 2.5-3.5 times the value of the land. This would not occur if the community was directly acquired (i.e. stamp duty would only be on the land component). Nevertheless, there is still likely to be a significant saving; and
- 27% of the valuations (totalling $195 million) were completed prior to 31 December 2017 and there may therefore be some latent value upside potential (albeit probably relatively minor).

On the other hand, not all of the portfolio would warrant a premium. The smaller, lower quality and mixed use estates are not as attractive to institutional investors and are likely to be sold individually or in small groups to owner operators. Implicitly this means that the effective premium applied to the balance of the portfolio is greater than 10-12%.

Implied Capitalisation Rates

Based on the independent valuations, the weighted average capitalisation rate across the portfolio (excluding vacant land) is 7.1%. Allowing for the 10-12% premium, the adjusted capitalisation rate is approximately 6.3-6.5% which Grant Samuel considers to be reasonable for an institutionally investible, market leading portfolio and is still well above the capitalisation rates seen in most other property asset classes in Australia. By way of comparison, capitalisation rates in the residential land lease sector in the United States are understood to be now below 5% for quality portfolios.

Implied Earnings Multiples

The value range of $745-759 million represents 19.3-19.6 times FY18 EBITDA.

The FY18 multiple is overstated to the extent that FY18 includes only a part year contribution from acquisitions made during the year. In particular, the Rosetta and SeaChange estates in South Australia have only been included for two months. The value range of $745-759 million represents 18.1-18.5 times FY18 pro forma EBITDA (including a full year contribution from Rosetta and SeaChange).

It is difficult to benchmark these multiples as any comparable listed entities comprise a mix of rental income and development profits. In any event, the multiples are, in effect, just the inverse of the capitalisation rate.

5.3 Value of Development Business

Gateway's Development business has been valued in the range $270-320 million.

Valuation of the Development business is not straightforward. For some property development businesses, it is usual to attribute value only to the current pipeline of projects. However, this is usually in situations where they are large one-off projects rather than part of continuing focussed business activity. In other cases, it is assumed that the pipeline will be replenished and the business will produce a sustainable level of earnings. In Grant Samuel's opinion, this approach is appropriate for Gateway:

- there are a number of drivers (see Section 3.5) that should ensure a consistent and steadily growing demand for homes in residential land lease communities over the medium to longer term;
- Gateway's existing pipeline will underpin development for approximately six years before it is exhausted. That provides plenty of time to secure new greenfields (or other) opportunities and develop them;
- Gateway management believes there are a significant number of opportunities to acquire (and develop) land in attractive locations across eastern and southern Australia (as well as, potentially, in markets such as Western Australia); and
- the scale of development in order to continue at Gateway's current level of approximately 250 settlements per annum is relatively modest in the context of the residential land lease industry (and is more so within the broader retirement accommodation sector). 250 settlements are effectively equivalent to one new larger sized greenfields development per annum; and
- Gateway has staff dedicated to securing new greenfields opportunities.

On this basis, Gateway can be valued by reference to multiples of earnings (EBITDA) rather than just aggregating the net present value of the current pipeline.

The value of $270-320 million represents multiples of 10.8-12.8 times FY18 EBITDA.

FY18 earnings are broadly in line with what might be considered to be the sustainable earnings of this business unit. The volume of settlements is the major driver of profitability. Grant Samuel considers 250 per annum to be a reasonable benchmark for a sustainable "through the cycle" level of development. Over the last three years (FY16-FY18), settlements have averaged 246, within a range 236-262. In FY17 and FY18 settlements were below 250 and management's budgeted levels. The FY17 shortfall was caused by adverse weather impacting construction timetables while in FY18 it was caused by poor sales execution coupled with a weakening residential property market generally, which resulted in potential residents taking longer to sell their existing homes. In this context, a recovery to around 250 is not demanding and the impact from the delayed selling is more in the nature of a one-off (unless conditions for vendors deteriorate further).

Average margins over the last four years have been in the range $100,000-110,000 per home and have been fairly consistent and stable. An assumed margin of $105,000 is considered reasonable.

Adopting these assumptions, sustainable EBITDA is approximately $26.5 million per annum (250 x $105,000) and the value range represents multiples of 10.2-12.1 times.

It is difficult to benchmark these multiples. There are no listed, and no transactions involving, pure residential land lease community developers. The nearest proxy is general residential property developers, but even then the extent of any market evidence is relatively limited. The multiples above are:

- well above those attributed by the share market to listed residential property developers, which tend to be around 6-7 times forecast EBITDA (albeit that these exclude a premium for control) except for Peet Limited and Cedar Woods Properties Limited which are close to 8-10 times (see Appendix 3); and
- more in line with recent acquisitions of residential developers such as Payce Consolidated Limited and Devine Limited, both of which occurred at historical EBITDA multiples of over 10 times (see Appendix 2 for details). The analysis excludes a number of transactions not considered useful because of their particular circumstances (e.g. poor financial performance). Acquisitions (and public valuations) of developers and construction companies in earlier periods showed a range of outcomes but with a number in the 9-13 times EBITDA range.

However, there are a number of important issues to be considered. Positive factors include the following:

- general residential developers are fully exposed to overall conditions in the residential market and their developments will be competing with a significant number of other new developments (and resales of existing stock) within a reasonably broad surrounding area. In contrast, Gateway (and other developers of residential land lease communities):
  - is not directly exposed to the general residential market to the same degree although conditions do have some impact on:
    - the ability of incoming residents to sell their homes to fund their purchase although mostly in a timing sense (i.e. takes longer to sell). Gateway did experience some slowdown/delays during FY18 as the general market slowed; and
    - selling prices as property prices in the local area are a factor in determining them;
  - is targeting a niche market where demand will be driven by demographics and other factors all of which are generally favourable at the present time (see Section 2). There appears to be a low likelihood of "oversupply" of residential land lease communities over the medium term.

  In this respect, Gateway could reasonably be regarded as a more stable, consistent business than general residential development;
- Gateway outsources all construction and infrastructure development and is not exposed to major contract risks (although it does take a risk on the attraction/success of each development project);
- Gateway operates a different business model in that it retains the underlying land, whereas residential developers sell the entire land/house package. In this respect, the reported EBITDA does not capture all of the value (albeit not realised in cash) generated from development. In effect, the difference between the value of the land (and other assets such as community by centres) on completion and the development cost (land acquisition plus infrastructure costs) is an unrealised gain that goes straight to balance sheet reserves rather than through the earnings statement. In contrast, residential developers book such gains as part of the profit on sale of the development. It is not possible to put a precise value on this component, but it is not insignificant. A greenfields development might generate an uplift in the order of $5,000-15,000 per site while the gains on conversions and expansions (which are cheaper to develop) would be larger.

Accordingly, the net result is that the effective multiple of full underlying earnings is less than 10.2-12.1 times (based on sustainable EBITDA);

- the level of development is partly constrained by Gateway's financial profile. Net borrowings are approximately 35% of portfolio value and Gateway has a relatively high payout ratio. It is quite possible that a well capitalised acquirer could accelerate the development program to achieve a higher activity level and bring forward the value generated. It is not possible to reliably determine whether or to what extent this is likely to occur but at 300 settlements per annum, pro forma EBITDA increases to $31.5 million; and
- the business is not a standalone developer and its value needs to be considered in the context of also being the owner of a very large portfolio of operating communities.

On the other hand:

- the listed companies trade at 0.8-1.4 times capital employed (NTA) while the transactions generally took place at around the level of capital employed. The capital employed in Gateway's development business is less than $100 million comprising:
  - vacant land (and infrastructure in progress) at existing communities and greenfields projects ($55.6 million at 30 June 2018);
  - inventories of display homes ($29.8 million at 30 June 2018); and
  - other minor working capital items.

  Arguably this level of capital employed constrains the value (but does indicate a very high return on investment); and
- Gateway's business is relatively small scale (revenue of around $60 million).

Having regard to these factors Grant Samuel regards the value attributed to the Development business as reasonable.

5.4 Corporate Overheads

Gateway incurs corporate overheads of approximately $15 million per annum. Valuation practice is to allow for cost savings (and other synergies) that would be achievable across multiple acquirers and to exclude synergies unique to one particular buyer. Any acquirer of Gateway would be able to achieve savings in overheads relating to operating as a public listed entity and other related costs. On the other hand, given the nature of the industry, the competitive landscape and the existing operations of likely acquirers of Gateway almost all bidders will want/need to retain a reasonable part of:

- day to day operations management;
- the executive team responsible for development; and
- a senior management team (albeit possibly not at the level needed for a public listed entity).

Arguably, the only parties that are financially capable of acquiring Gateway and already operating in the industry (at scale) which would enable them to absorb a major part of the management task into its existing management structures are Ingenia and Lifestyle Communities but even these two groups are of similar size to Gateway in terms of market capitalisation and Lifestyle Communities is in fact considerably smaller in terms of the existing scale of its operations.

Following analysis of the corporate costs and consultation with management, Grant Samuel has estimated total common savings of approximately $6 million per annum comprising:

- board costs (directors fees, etc.);

- listing costs (ASX fees, annual report, etc.);
- investor relations costs;
- elimination of the costs of an external responsibility entity; and
- reduction in CEO/CFO legal counsel and company secretarial costs relative to a listed environment.

The resultant net corporate costs of $9 million per annum have been:

- notionally allocated between Operations (30%) and Development (70%). This split has been estimated by management and broadly reflects the employment of specific staff between the two activities and the general level of time spent by other executives on each activity; and
- capitalised at:
  - the implied overall capitalisation rate (6.3-6.5%) of the investment portfolio for the 30% Operations component; and
  - the FY18 EBITDA multiples implied by the value of the Development business (10.8-12.8 times) for the 70% share attributed to Development.

On this basis, the adjustment for capitalised corporate overheads is $110-123 million.

5.5 Discounted Cash Flow

5.5.1 Introduction

A DCF analysis provides an alternative way of estimating value and offers a number of advantages in that it captures:

- the potential for operating margin improvement over time as the portfolio evolves;
- the growth in site rental income delivered through development (i.e. treating Gateway as an integrated business);
- the increase in land values over and above land acquisition cost and infrastructure development cost;
- the different infrastructure development costs between conversions, expansions and greenfields development;
- the rollout of the existing pipeline (which has a higher inherent value as the land is already owned) and the transition to greenfields development; and
- the potential value of accelerating the development rollout.

However, it must be recognised that:

- Gateway has not undertaken any long term modelling at a detailed level (e.g. community by community); and
- various key variables are not capable of being estimated with precision and, at an individual site or even community level, there is considerable variation. The analysis is therefore necessarily based on broad averages (e.g. for land acquisition and development costs and margins) across the portfolio.

Accordingly, the DCF analysis should be treated with considerable caution. However, it nevertheless provides some useful insight into:

- the key drivers of value; and
- the performance parameters that would need to be achieved to generate particular values for Gateway.

5.5.2 DCF Model and Assumptions

The DCF analysis is based on a high level DCF model developed by Grant Samuel. There is an explicit 30 year forecast period from 1 July 2018 to 30 June 2048. A terminal value (representing cash flows beyond the forecast period) is calculated as at 30 June 2048. A weighted average cost of capital ("WACC") is applied to ungeared, nominal after tax cash flows.

The main assumptions adopted in the Base Case analysis are summarised below:

General

- inflation of 2.5% per annum;
- a tax rate of 0% on site rental income and 25% on development profits. Existing tax losses are assumed to be utilised over two years;
- a WACC of 8.50%. In Grant Samuel's opinion the standard Capital Asset Pricing Model approach to discount rates is not necessarily appropriate for property assets where yield/growth parameters are the most commonly used metrics. In this case:
  - a cost of equity was estimated having regard to yields applying to Gateway, other residential land lease community operators' capitalisation rates applying to individual land lease communities, and other asset classes as well as growth expectations and the added risk arising from development activities. Ultimately, selection of an appropriate rate is a matter of professional judgement; and
  - gearing of 33% was assumed with a tax shelter of 5% (Gateway's overall effective rate);
- a terminal growth rate of 2.5%;

Operations

- rental growth of 4.0% per existing long term site per annum for five years, 3.5% for the next five years and 2.5% thereafter. The higher growth rates in the first 10 years allows for both CPI increases and the uplift through reversion to market site fees at exit;
- 3% per annum for short term sites (while still remaining in the portfolio);
- 2.5% per annum growth per newly developed long term site (which are assumed to enter the portfolio at prevailing market rents);
- an operating margin increasing from 58% in FY19 by 1% each year until it reaches 65% (FY26) and remaining flat thereafter. Gateway expects to improve margins over time both through efficiency initiatives and the changing mix (as newer, larger communities are completed and through the sale of some existing smaller assets). At present, mature quality estates generate margins of approximately 70% but this is unlikely to be achievable across the entire portfolio. 65% is regarded as a more realistic target average;
- new sites are added as development sites are completed and settled (assumed to be mid year);

Development

- 250 sites are completed and settled each year for 20 years, tapering off in the following five years. It is conceivable that an acquirer could operate at a higher level, but Gateway's track record would suggest that 250 is a more realistic level;
- an existing development pipeline of 1,917 long term sites consisting of 470 conversions (from 981 short term sites), 945 expansions and 502 greenfield developments is rolled out at 250 per annum until exhausted;

- development costs (excluding land) of $25,000 per site for conversions, $30,000 for expansions and $50,000 for greenfield development;
- as the existing portfolio of sites is exhausted, it is assumed that new greenfields developments take their place to maintain the level of development at 250 per annum (and an inventory equal to four years' settlement volumes). These developments incur:
  - land acquisition costs of $40,000; and
  - development costs of $50,000;
- a margin on home sales of $105,000;
- selling prices, development costs and home sale margin escalate at inflation;

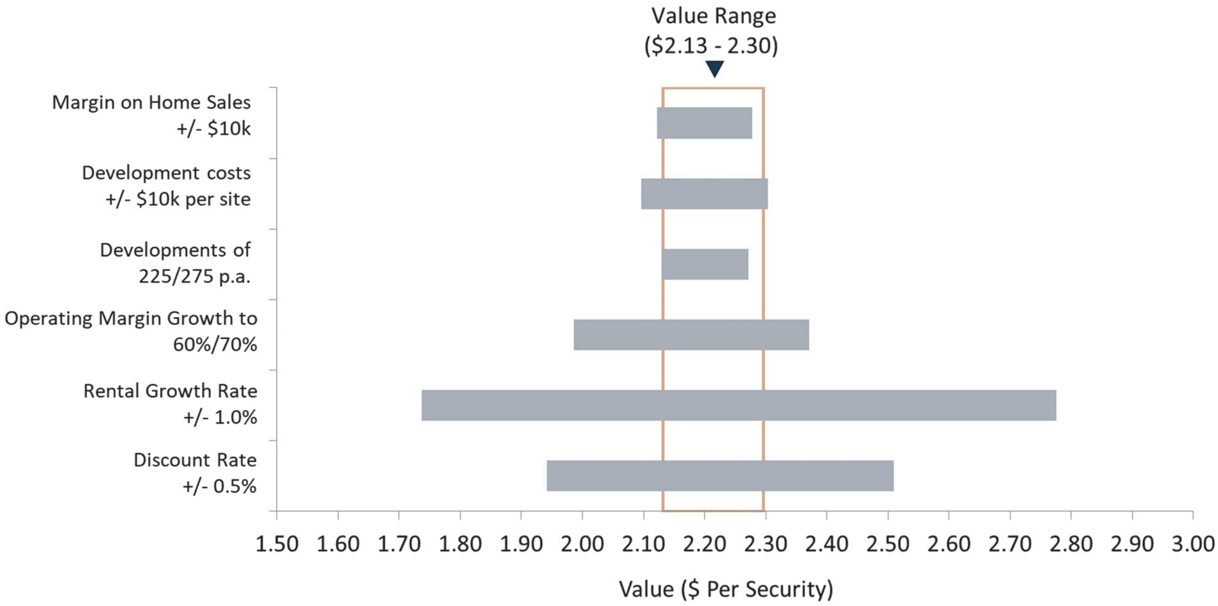
Other

- other revenue of $5 million per annum; and
- corporate costs of $9 million per annum (escalated), allocated 30% to Operations and 70% to Development.

5.5.3 Outputs and Sensitivities

Based on these assumptions, the DCF analysis results in an Enterprise Value of $926 million, equivalent to a value of $2.20 per security. This value falls within the value range of $2.13-2.30 per security.

In view of the high degree of uncertainty attached to the key assumptions, it is useful to consider alternative scenarios and sensitivities:



This analysis indicates that:

- the net present value ("NPV") is extremely or moderately sensitive to:
  - changes in the rental growth rate; and
  - the discount rate; and
- the NPV is only moderately sensitive to changes in the operating margin and is relatively insensitive to movements in Development business assumptions, including:

- the margin on home sales;
- the development costs per site; and
- the number of developments completed each year.

In Grant Samuel's view, the DCF analysis supports the value range adopted. To generate a value materially above the range requires assumptions (e.g. operating margins of 70% or developments of close to 300 per annum) that are far above levels historically achieved by Gateway and are unlikely to be adopted by any arm's length acquirer of the business.

5.6 Net Borrowings

Gateway's business has little or no seasonality and there are no other specific issues impacting on the level of borrowings. Accordingly, net borrowings at 30 June 2018 of $250.7 million has been adopted for the purposes of the valuation. After adding back capitalised borrowing costs of $1.6 million, net borrowings for valuation purposes is $252.3 million.

5.7 Other Items

5.7.1 Securities on Issue

Grant Samuel has been advised that the 1,366,465 FY16 Security Appreciation Rights will lapse. No decision has been taken by the GL Operations board in relation to the remaining rights. For the purposes of calculating the fully diluted value per security, it is assumed that these rights vest.

5.7.2 Other Assets and Liabilities

Gateway does not segment working capital between Operations and Development, but a high level analysis suggests that the level of net working capital in the Operations business is unlikely to be materially different to zero. Gateway has no material surplus assets or non operating liabilities.

6 Evaluation of the Hometown Offer

6.1 Opinion

In Grant Samuel's opinion, the Hometown Offer is fair and reasonable to the non associated securityholders of Gateway.

6.2 Fairness

Grant Samuel has estimated the full underlying value in Gateway, including a premium for control, to be in the range $2.13-2.30 per security. The value is the aggregate value of the estimated value of Gateway's operating business together with other assets less external liabilities and any non trading assets or liabilities.

The value range exceeds the price at which, based on current market conditions, Grant Samuel would expect Gateway to trade on the ASX in the absence of a takeover offer (or speculation as to an offer). The valuation is set out in Section 5 of this report.

The offer of $2.25 per security falls within the value range of $2.13-2.30. Accordingly, the Hometown Offer is fair. The bottom of the value range represents the relevant threshold for fairness. Any price above the bottom of the range is, by definition, fair and it is irrelevant where in the range an offer falls.

6.3 Reasonableness

6.3.1 Summary

As the Hometown Offer is fair, it is also reasonable. In any event, there are a number of other factors that support the reasonableness of the Hometown Offer and which Gateway securityholders should consider in determining whether to accept or reject the Hometown Offer. These factors are set out in the following sections.

6.3.2 Premium for Control

The consideration of $2.25 per security represents a 23% premium to the price at which Gateway securities last traded prior to the announcement of the approach by Hometown on 13 June 2018 (27% when adjusted for the distribution of 5.35 cents paid in July 2018):

GATEWAY – PREMIUM OVER PRE-ANNOUNCEMENT PRICES

PERIOD	GATEWAY PRICE/VWAP[20]	PREMIUM	GATEWAY PRICE/VWAP (ADJUSTED FOR DISTRIBUTION)	PREMIUM
12 June 2018 – Pre-announcement price	$1.83	23%	1.78	27%
1 week prior to 13 June 2018 - VWAP	$1.82	24%	1.77	27%
1 month prior to 13 June 2018 – VWAP	$1.77	27%	1.72	31%
3 months prior to 13 June 2018- VWAP	$1.83	23%	1.78	27%
6 months prior to 13 June 2018 - VWAP	$1.91	18%	1.86	21%
12 months prior to 13 June 2018 – VWAP	$1.96	15%	1.91	18%

The level of premiums observed in takeovers varies depending on the circumstances of the target and other factors (such as the potential for competing offers) but tend to fall in the range 20-35%. However, it is important to recognise that:

20 VWAP is volume weighted average price.

- premiums for control are an outcome, not a determinant of value; and
- they vary widely depending on individual circumstances.

In particular, for property investment vehicles the extent of any premium for control is usually materially lower than the 20-35% norm because of the nature of such vehicles which:

- earn passive rental incomes;
- pay out close to 100% of earnings as distributions; and
- offer minimal corporate synergies.

In the case of Gateway, the implied premiums are relatively high for a property owning entity. They may be accentuated by the weak security price immediately prior to the announcement on 13 June 2018 which had been impacted by the downgrade of FY18 earnings announced on 2 May 2018. This downgrade had a damaging impact on credibility given a similar downgrade the previous year. However, even when measured over longer periods (e.g. 6 or 12 months) the premiums are still reasonable.

6.3.3 Security Trading in the absence of any Offer/Proposal

The Hometown Offer enables securityholders to realise their investment in Gateway at a cash price which incorporates a premium for control and takes account of the value of Gateway's development business and pipeline. In the absence of the Hometown Offer or a similar transaction, securityholders could only realise their investment by selling on market at a price which does not include any premium for control and would incur transaction costs (e.g. brokerage). It is likely that, under current market conditions and its current ownership structure and in the absence of any offer (or speculation as to one), Gateway securities would trade at prices well below $2.25 and quite possibly below $2.00.

6.4 Other Issues

6.4.1 Alternative Superior Offers

As at the date of this report, the Hometown Offer is the only offer capable of acceptance by Gateway securityholders. Gateway received an indicative proposal from Brookfield but:

- the indicated price was, for practical purposes, the same as the Hometown Offer; and
- discussions with Brookfield have ceased.

There were other parties that approached Gateway but none of these have progressed to any kind of formal proposal. While it is conceivable that a superior offer will be made by Brookfield or a third party, given the amount of time that has elapsed since the initial Hometown proposal (13 June 2018), it would be imprudent for securityholders to assume that it will occur.

6.4.2 Minimum Acceptance Condition

The Hometown Offer has a minimum acceptance condition under which it must obtain a relevant interest in Gateway of more than 50% (although it reserves the right to waive this condition). If Hometown acquires more than 50% but less than 90% of Gateway's securities, there are significant implications for remaining Gateway securityholders:

- effective control of Gateway will pass to Hometown. Hometown intends to:
  - reconstitute the board of GL Operations to reflect Hometown's level of ownership and may remove OMIFL as responsible entity for RPT 2. Hometown does however recognise that all directors will owe fiduciary duties and other legal obligations to act in the interest of all securityholders; and
  - review the distribution policy having regard to any capital funding requirement.

  Hometown will be able to determine the outcome of resolutions requiring approval of at least 50% of the votes cast by securityholders entitled to vote on a resolution. At 75% or more, Hometown would also be able to determine the outcome of special resolutions. Hometown's effective control of the management of Gateway also means it could make changes to Gateway's business operations, distribution policy and gearing levels;
- Hometown intends to review Gateway's listing on the ASX and, if it obtains over 75% of Gateway, seek to delist the securities from the ASX. If Gateway is delisted from the ASX, remaining securityholders would hold unlisted securities, substantially reducing their ability to realise a fair value for their investment;
- even if Hometown remains listed on the ASX, there will be a significant reduction in the liquidity of the market for Gateway securities which will deteriorate further to the extent Hometown's final securityholding exceeds 50%;
- there will be much lower prospects of receiving a fully priced offer for securities in Gateway in the future because of the absence of any competitive tension;
- Gateway will not be able to satisfy the continuing ownership test and will have to rely on the continuity of business test to be able to utilise its existing tax losses; and
- in certain circumstances RPT 2 may cease to satisfy the requirements to be a Managed Investment Trust for income tax purposes.

If Hometown does succeed in obtaining over 50% of Gateway and declares the Hometown Offer unconditional, any remaining securityholders should carefully consider their position prior to the Hometown Offer closing.

6.4.3 Taxation Consequences

If the Hometown Offer becomes unconditional, accepting secuityholders will be treated as having disposed of their Gateway securities for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the Gateway securities, the length of time held, whether the securities are held on capital or revenue account and whether the securityholder is an Australian resident for tax purposes.

Details of the Australian taxation consequences for Gateway securityholders who are Australian resident individuals and non resident individuals and hold their securities on capital account are set out in Section 10 of the Target's Statement. Securityholders should consult their own professional adviser in relation to the taxation consequences.

6.5 Securityholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Hometown Offer is fair and reasonable to the non associated securityholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to securityholders in relation to the Hometown Offer, the responsibility for which lies with the directors of Gateway.

In any event, the decision whether to accept the Hometown Offer is a matter for individual securityholders based on each securityholder's views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from securityholder to securityholder. If in any doubt as to the action they should take in relation to the Hometown Offer, securityholders should consult their own professional adviser.

7 Qualifications, Declarations and Consents

7.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 550 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Wilson BCom MCom (Hons) CA SF Fin and Caleena Stilwell BBus FCA F Fin GAICD. Each has a significant number of years of experience in relevant corporate advisory matters. Jeffrey Birse BA BCom (Hons) CFA assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

7.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Hometown Offer is fair and reasonable to the non associated securityholders. Grant Samuel expressly disclaims any liability to any Gateway securityholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Target's Statement issued by Gateway and has not verified or approved any of the contents of the Target's Statement. Grant Samuel does not accept any responsibility for the contents of the Target's Statement (except for this report).

7.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Gateway or Hometown or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Hometown Offer.

Grant Samuel had no part in the formulation of the Hometown Offer. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $375,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Hometown Offer. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

7.4 Declarations

Gateway has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving negligence or wilful misconduct by Grant Samuel. Gateway has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Gateway are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Gateway and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, valuation, evaluation or conclusions as a result of issuing the drafts.

7.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target's Statement to be sent to securityholders of Gateway. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

7.6 Other

The accompanying letter dated 20 August 2018 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

20 August 2018

Grant Samuel & Associates

APPENDIX 1

BROKER CONSENSUS FORECASTS

Gateway Lifestyle has not publicly released earnings forecasts for the year ending 30 June 2019 or beyond. Accordingly, the prospective multiples implied by the valuation of Gateway Lifestyle in the Grant Samuel report are based on median broker forecasts. These forecasts are sufficiently close to Gateway Lifestyle's internal projections to be useful for analytical purposes.

Set out below is a summary of forecasts prepared by brokers that follow Gateway Lifestyle in the Australian stockmarket:

GATEWAY LIFESTYLE – BROKER FORECASTS FOR YEAR ENDING 30 JUNE ($ MILLIONS)

		EBITDA[1]		NET PROFIT AFTER TAX	
BROKER	**DATE**	**FORECAST FY19**	**FORECAST FY20**	**FORECAST FY19**	**FORECAST FY20**
Broker 1	02/05/2018	52	56	44	48
Broker 2	03/05/2018	56	60	43	45
Broker 3	02/05/2018	52	54	41	43
Broker 4	09/05/2018	52	54	41	43
Broker 5	03/05/2018	52	55	43	46
Minimum		*52*	*54*	*41*	*43*
Maximum		*56*	*60*	*44*	*48*
Median		***52***	***55***	***44***	***50***

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Gateway Lifestyle;
- the brokers presented are those who have published research on Gateway Lifestyle following Gateway Lifestyle's revised announcement of earnings guidance on 2 May 2018;
- Grant Samuel is aware of only one other broker that follows Gateway Lifestyle. This broker has not released any research on Gateway Lifestyle that includes earnings forecasts subsequent to Gateway Lifestyle's revised announcement of earnings guidance on 2 May 2018;
- the broker forecasts are not prepared on a consistent basis, particularly in relation to the treatment of fair value movements. Some brokers attempt to forecast this item and some do not. As Grant Samuel has valued Gateway Lifestyle on a recurring profit basis, fair value movements and other exceptional items should be removed from the earnings parameters. In the table above, Grant Samuel has presented the broker earnings forecasts on a common basis by removing fair value movements from the net profit after tax forecasts; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts do not incorporate any one-off adjustments or non-recurring items, other than fair value movements as discussed above.

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[1] EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

APPENDIX 2

PROPERTY PORTFOLIO AT 30 JUNE 2018

Set out below is an overview of Gateway Lifestyle's property portfolio as at 30 June 2018:

GATEWAY LIFESTYLE – PROPERTY PORTFOLIO AS AT 30 JUNE 2018

				SITES			VALUATION	
COMMUNITY	LOCATION	STATE	TYPE	LONG-TERM	VACANT DEVELOP-MENT	SHORT-TERM	CAP RATE	CARRYING VALUE ($MILLIONS)
Bayside	Tingalpa	QLD	Expansion	143	22	-	6.4%	16.2
Bass Hill	Bass Hill	NSW	Conversion	50	-	24	7.6%	10.4
Stanhope Gardens	Sydney	NSW	Mature	361	1	-	6.3%	42.5
Brisbane River Terraces	Goodna	QLD	Mature	99	-	-	6.3%	8.4
Nepean Shores	Penrith	NSW	Conversion	157	-	42	7.9%	19.4
Redlands	Birkdale	QLD	Expansion	119	24	-	6.4%	13.6
Grafton	Grafton	NSW	Conversion	127	20	65	8.5%	12.0
Aspley	Brisbane	QLD	Expansion	76	54	-	6.4%	15.0
Oaklands	Windang	NSW	Expansion	246	12	-	6.9%	22.0
Yamba Waters	Yamba	NSW	Conversion	89	30	65	8.0%	10.3
Regal Waters	Bethania	QLD	Expansion	228	2	-	6.5%	18.0
Coombabah	Coombabah	QLD	Mature	247	-	-	6.3%	21.4
Maroochy	Maroochydore	QLD	Conversion	118	24	-	7.6%	13.5
Edgewater	Bli Bli	QLD	Mature	210	-	-	6.5%	23.1
Tweed Heritage	Chinderah	NSW	Mature	130	5	-	8.0%	10.0
Acacia Ponds	Pambula	NSW	Expansion	96	4	-	7.8%	5.6
Chinderah Lakes	Chinderah	NSW	Mature	54	12	-	8.7%	4.7
Benalla	Benalla	VIC	Conversion	29	-	86	11.8%	2.9
Salamander Bay	Salamander Bay	NSW	Expansion	126	21	-	6.6%	13.5
Healesville	Healesville	VIC	Conversion	42	-	-	11.9%	2.8
Sussex Inlet (Dunes)	Sussex Inlet	NSW	Mature	110	-	-	6.5%	8.8
Sussex Inlet (Snappy Gums)	Sussex Inlet	NSW	Mature	56	-	-	6.5%	4.4
Ballarat	Ballarat	VIC	Expansion	10	65	-	-	5.5
Greenbank	Greenbank	QLD	Expansion	65	68	-	6.6%	10.7
Twin Cedars	Beerburrum	QLD	Mature	82	-	-	7.2%	5.9
The Retreat	Port Macquarie	NSW	Mature	197	9	-	6.6%	18.5
Taskers	Port Macquarie	NSW	Mature	71	-	-	8.0%	4.9
Ocean Breeze	Redhead	NSW	Mature	50	5	-	7.0%	4.1
Redbank Palms	Redbank	QLD	Mature	151	-	-	6.5%	13.2
Lakeland Park	Buff Point	NSW	Mature	142	-	-	6.5%	15.4
Bremer Waters	Moores Pocket	QLD	Mature	179	4	-	6.4%	18.0
Sea Winds	Port Stephens	NSW	Mature	148	-	-	6.5%	11.4
Valhalla	Chain Valley Bay	NSW	Expansion	403	20	-	6.3%	47.7
The Pines	Woolgoolga	NSW	Expansion	118	55	-	7.5%	7.8
Riverside	Evans Head	NSW	Expansion	77	87	-	7.5%	11.0

				SITES			VALUATION	
COMMUNITY	LOCATION	STATE	TYPE	LONG-TERM	VACANT DEVELOP-MENT	SHORT-TERM	CAP RATE	CARRYING VALUE ($MILLIONS)
Lorikeet	Arrawarra	NSW	Conversion	54	17	61	8.3%	7.4
Myola	Myola	NSW	Mature	162	-	18	8.9%	5.9
Cobb Haven	Moama	NSW	Mature	197	-	-	6.5%	15.5
Beachfront	Hallidays Point	NSW	Conversion	103	24	86	8.1%	15.1
Beach Haven	Ulladulla	NSW	Conversion	123	20	-	8.6%	9.8
Homestead	Salamander Bay	NSW	Mature	101	-	-	7.1%	9.0
Belmont	Belmont	NSW	Mature	151	3	-	6.8%	14.5
Birubi Beach	Anna Bay	NSW	Conversion	152	-	69	9.0%	7.9
Old Bar	Old Bar	NSW	Expansion	-	181	-	-	5.3
Casino	Casino	NSW	Expansion	194	206	205	9.2%	16.4
Albury	Springdale Heights	NSW	Expansion	118	37	-	7.2%	12.4
Manning Point	Manning Point	NSW	Conversion	77	-	69	8.7%	5.3
Sanctuary	Redhead	NSW	Mature	182	-	-	6.5%	20.5
Lakes Entrance	Lakes Entrance	VIC	Mature	50	-	-	7.8%	3.0
North Haven	North Haven	NSW	Conversion	50	5	89	8.5%	7.8
Terrigal Sands	Terrigal	NSW	Mature	95	-	-	7.1%	9.5
Rockhampton	Norman Gardens	QLD	Mature	146	2	-	6.6%	12.4
Suncoast Ulladulla	Ulladulla	NSW	Expansion	33	26	-	8.3%	4.4
Sundown Villas	Symonston	ACT	Conversion	91	-	102	9.5%	18.5
Evans Head	Evans Head	NSW	Expansion	-	176	-	-	8.2
Rosetta	Encounter Bay	SA	Mature	348	-	-	6.8%	28.5
SeaChange	Goolwa	SA	Expansion	147	61	-	6.8%	18.5
Silverwoods	Yarrawonga	VIC	Expansion	-	145	-	-	5.0
Total / Average				**7,180**	**1,447**	**981**	**7.1%**	**732.9**

Source: Gateway Lifestyle, Grant Samuel analysis

Failford was recently sold and settled on 29 June 2018, and is therefore not included in the property portfolio as at 30 June 2018. Additionally, the following property transactions have occurred subsequent to the 30 June 2018 balance date:

- Bass Hill was sold with settlement occurring on 3 July 2018; and
- a contract of sale was exchanged on 23 July 2018 for Acacia Ponds, with settlement to occur on 17 September 2018.

APPENDIX 3

MARKET EVIDENCE – COMPARABLE LISTED ENTITIES

The sharemarket ratings of selected entities engaged in residential land lease communities are set out below.

SHAREMARKET RATINGS OF SELECTED LISTED COMPANIES – RESIDENTIAL LAND LEASE COMMUNITY SECTOR[1]

COMPANY	MARKET CAPITAL-ISATION ($ MILLIONS)	EBITDA MULTIPLE[2] (TIMES)			EBIT MULTIPLE[3] (TIMES)			DISTRIBUTION YIELD (%)			UNGEARED NTA[5] MULTIPLE (TIMES)
		FY18E[6]	FY19F	FY20F	FY18E[6]	FY19F	FY20F	FY18E[6]	FY19F	FY20F	
Aspen Group	92	na	na	na	na	na	na	4.5	na	na	0.7
Ingenia Communities Group	645	17.6	14.6	13.8	17.8	14.2	13.6	3.4	3.7	4.0	1.2
Lifestyle Communities Limited	621	34.4	26.4	22.1	35.5	26.4	22.1	0.8	1.0	1.4	3.2

Source: Grant Samuel analysis[7]

The multiples shown above are based on sharemarket prices as at 10 August 2018 and do not reflect a premium for control (although it should be noted that share prices have risen subsequent to the initial proposal by Hometown to acquire Gateway Lifestyle).

A brief description of each company is set out below:

Aspen Group

Aspen is an ASX listed owner and operator of residential land lease communities and tourism parks across Australia. As at 31 December 2018 Aspen owned nine estates across Australia including three residential land lease communities in New South Wales and Western Australia, five tourism parks in New South Wales, South Australia and Northern Territories, and one corporate park in Western Australia that caters to corporate resource clients and contractors. The company is seeking to expand its portfolio, with recent acquisitions of two tourism parks in NSW and the Northern Territory. The company has undertaken negligible development (with only one home settlement in 1H FY18). However, it has a development pipeline at its two New South Wales residential land lease communities with development approval for a total of 81 new homes (some of which are conversions).

Ingenia Communities Group

Ingenia is an ASX listed owner and developer of residential land lease estates, tourism parks and rental villages across Australia. Ingenia owns a total of 59 estates across Australia, including 33 residential land lease communities and tourism parks and 26 rental villages. The company is made up of five segments: Lifestyle and Holidays Operations, Lifestyle Development, Ingenia Settlers, Ingenia Gardens, and Corporate. The Lifestyle and Holidays Operations segment consists of lifestyle communities with permanent and tourism accommodation. The Lifestyle Development segment develops and sells manufactured homes. The Ingenia Settlers segment comprises three deferred management fee communities and is considered non-core. The Ingenia Gardens segment comprises the company's rental villages across the eastern seaboard and Western Australia. The Corporate segment is primarily made up of head office and other unallocated costs. The portfolio includes 6,700 income

1 The companies selected all have 30 June year ends.
2 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.
3 Represents gross capitalisation divided by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.
4 Represents market capitalisation divided by net profit after tax (before significant and non-recurring items).
5 Represents gross capitalisation divided by ungeared net tangible assets (that is, shareholders' funds less intangibles, plus borrowings less cash as at the latest balance date).
6 Based on broker estimates where results for the year ended 30 June 2018 have not been released.
7 Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

producing sites and 2,840 development sites on balance sheet or under option with 10 communities under development. Ingenia's residential land lease community development pipeline was previously driven by tourism conversion, but is transitioning towards expansion and greenfields development. Ingenia is forecasting 280-285 new home settlements in FY18 after achieving 211 in FY17.

Lifestyle Communities Limited
Lifestyle Communities is an ASX listed owner and developer of residential land lease communities in Victoria. Lifestyle Communities has 13 residential land lease communities, primarily on the outskirts of Melbourne and Geelong, that are either in development or under management (with a further three in planning). As at 30 June 2018, Lifestyle Communities owned a total of 2,794 sites, with 1,947 (70%) of these being sold and occupied. The company reports as a single segment (with no split of development and operations), however in FY18 development revenues of $100.1 million and gross profit of $20.3 million compared to total other revenues (primarily rent and management fees) of $23.5 million. Unlike other residential land lease community operators, Lifestyle Communities also receives income from deferred management fees, which made up 19% of other revenues in FY18. Lifestyle Communities achieved a total of 321 settlements in FY18. The company was founded in 2003 and is based in Melbourne.

The sharemarket ratings of selected listed companies engaged in residential property development companies are set out below:

SHAREMARKET RATINGS OF SELECTED LISTED COMPANIES – RESIDENTIAL PROPERTY DEVELOPERS[1]

COMPANY	MARKET CAPITAL-ISATION ($ MILLIONS)	EBITDA MULTIPLE[2] (TIMES)			EBIT MULTIPLE[3] (TIMES)			PRICE EARNINGS MULTIPLE[4] (TIMES)			UNGEARED NTA[5] MULTIPLE (TIMES)
		FY18E[6]	FY19F	FY20F	FY18E[6]	FY19F	FY20F	FY18E[6]	FY19F	FY20F	
AVJennings Limited	269	7.4	6.5	6.2	7.4	6.6	6.3	7.1	6.3	6.1	0.8
Cedar Woods Properties Limited	491	10.7	7.9	7.0	10.9	8.0	7.1	12.2	9.2	8.2	1.4
Finbar Group Limited	252	na	na	na	na	na	na	na	na	na	1.1
Peet Limited	588	9.5	9.5	9.7	9.8	9.9	10.1	12.3	12.5	12.9	1.2
Sunland Group Limited	266	6.1	5.4	5.3	6.3	5.5	5.4	8.1	6.7	6.7	0.8
Villa World Limited	274	6.5	5.5	5.1	6.6	5.6	5.1	6.3	6.2	5.6	1.0

Source: Grant Samuel analysis[7]

The multiples shown above are based on sharemarket prices as at 10 August 2018 and do not reflect a premium for control.

A brief description of each company is set out below:

AVJennings Limited
AVJennings is an ASX listed residential property development company also listed on the Singapore Exchange. AVJennings strategy consists of purchasing land in urban growth corridors across Australia and New Zealand, developing, sub-dividing and then selling a mix of building types including homes, townhouses and apartments. AVJennings also sells land within its developments to contract home builders and retail customers. Operations are focussed on Australia's eastern seaboard with FY17 split across Queensland (21%), New South Wales (42%), Victoria (18%), South Australia (7%) and New Zealand 12%). As at 31 December 2017, the company held over 10,264 lots with 1,991 held as work in progress. The company was founded in 1932 and is headquartered in Melbourne.

Cedar Woods Properties Limited
Cedar Woods is an ASX listed property developer primarily focussed on the residential market. It has a pipeline of 31 projects (including 21 residential, 5 apartments, 3 commercial, 1 mixed commercial/residential and 1 mixed apartments/residential) with a total of 11,000 sites consisting of lots, townhouses, apartments and office suites. Residential product is targeted across a wide range of price points ranging from small lots within its estates to luxury apartments at boutique developments. The majority of the portfolio is in Perth and Melbourne, with

projects also in Brisbane, South Australia and regional Western Australia. The company was founded in 1987 and its head office is in West Perth.

Finbar Group Limited
Finbar is an ASX listed residential apartment developer operating in Western Australia, primarily in Perth. It has a secured pipeline of 2,873 units. In addition to its apartment development activity, Finbar also develops commercial office and retail properties and holds two investment properties, being a 7,586 sqm office building in Perth and a complex containing 101 apartments and 21 commercial lots in Karatha. Finbar's core Residential Apartment Development segment accounted for 90% of FY17 revenue and 61% of total profit before income tax. The Rental of Property segment (19%) and Corporate segment (21%) contributed the remainder of total profit before income tax (while the Commercial Office/Retail Development segment made a small loss). Finbar was established in 1995 and is based in East Perth.

Peet Limited
Peet is an ASX listed residential property developer that acquires, develops, and markets residential land in Australia. Peet is active across all Australian mainland states and territories. The company controls the third largest Australian residential land bank with approximately 51,462 lots, which represents approximately 17 years' supply based on current sales rates. Peet utilises its land bank to develop masterplanned communities and has 57 projects nationally. Peet has three reportable business segments: Funds Management, Company-Owned Projects and Joint Arrangements. The Funds Management segment derives fees from underwriting, capital raising, and asset identification services, as well as ongoing project related fees (primarily project management, selling fees and performance fees) for the duration of a particular project. The Company-Owned Projects segment acquires parcels of land in Australia, primarily for residential development purposes while also producing non-residential blocks of land. The Joint Arrangements segment undertakes and develops land under joint arrangements entered into with government, statutory authorities and private landowners, with Peet generally undertaking the development of land on behalf of the landowner and earning ongoing management fees and also a share of the profits. The Funds Management and Joint Arrangements segments account for more than 80% of Peet's land bank. Peet was founded in 1985 and is based in Perth.

Sunland Group Limited
Sunland is an ASX listed residential property developer active across the Australian eastern seaboard, with a focus on south-eastern Queensland. Sunland has two operating segments, the Residential Housing and Urban Development segment and the Multistorey segment. The Residential Housing and Urban Development segment comprises medium density integrated housing developments and land subdivision. The Multistorey segment comprises medium-rise projects generally between five and 15 storeys, and high rise developments above 15 storeys. The Residential Housing and Urban Development segment contributed 66% of revenue in FY17, with 32% coming from the Multistorey segment. As at 31 December 2017, the company's portfolio consisted of a total of 5,138, residential homes, urban land lots and multi-storey apartments, as well as a 38,000 sqm of retail development. The majority of this development pipeline is located in Queensland (89%), mainly in the Gold Coast, with the remainder being in Sydney (9%) and Melbourne (2%).

Villa World Limited
Villa World is an ASX listed residential property developer that acquires, develops and markets residential land and house and land estates in Australia. In FY18, 53% of revenue was sourced from the sale of house and land products, while 47% was sourced from the sale of land only products. Villa World reports on two geographical segments, being the New South Wales and Queensland segment and the Victoria segment (it also has an "other" segment). New South Wales and Queensland made up 61% of FY18 revenue and 57% of gross margin. As at 30 June 2018, Villa World had a development pipeline in construction or planning of 6,191 lots, representing 4-5 years of sales. The majority of this pipeline (65%) is located across Queensland, with 35% in Melbourne and 5% in Sydney. Villa World was founded in 1986 and is headquartered in the Gold Coast.

APPENDIX 4

MARKET EVIDENCE - TRANSACTIONS

Set out below is a summary of selected recent Australian transactions involving businesses owning significant portfolios of residential land lease communities or accommodation parks:

RECENT TRANSACTION EVIDENCE – RESIDENTIAL LAND LEASE COMMUNITIES AND ACCOMODATION PARKS

DATE	TARGET	TRANSACTION	CONSID-ERATION[1] (MILLIONS)	EBITDA MULTIPLE[2] (TIMES)		EBIT MULTIPLE[3] (TIMES))		PE MULTIPLE[4] (TIMES))		UNGEARED NTA MULTIPLE[5] (TIMES)
				HISTORICAL[6]	FORECAST[6]	HISTORICAL	FORECAST	HISTORICAL	FORECAST	
May 18	National Lifestyle Villages	Acquisition by Serenitas	na	na	na	na	na	na	na	na
Jul 16	Aspen Parks Property Fund	Acquisition by Discovery Parks Group	147	17.4	na	38.8	na	nm	na	1.3

Source: Grant Samuel analysis[7]

A brief summary of each transaction is set out below:

Acquisition of National Lifestyle Villages Pty Ltd by Serenitas Communities Pty Ltd
On 23 May 2018, National Lifestyle Villages Pty Ltd ("NLV") and Serenitas Communities Pty Ltd ("Serenitas") announced that they had entered into an agreement for Serenitas to acquire all of the residential land lease communities owned and operated by NLV.

NLV was Western Australia's leading owner and operator of residential land lease communities with a portfolio consisting of eight communities in operation and a further two in development.

Serenitas is a joint venture investment vehicle of Singapore's GIC sovereign wealth fund and Tasman Capital Partners.

No transaction terms were disclosed.

Acquisition of Aspen Property Parks Fund by Discovery Parks Group
On 14 September 2015, Aspen Group and Aspen Parks announced that they had entered into an agreement to merge the two groups. The consideration under the merger was $0.50 per Aspen Parks security with Aspen Parks securityholders able to select to receive the consideration in cash, merged entity securities or a combination of cash and scrip. Aspen Parks is an unlisted investment fund which owns 26 accommodation and holiday parks including cabins, caravan parks, camping parks and self-contained facilities. Aspen Group was an

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1 Implied equity value if 100% of the company or business had been acquired.
2 Represents gross consideration divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.
3 Represents gross consideration divided by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.
4 Represents gross consideration divided by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.
5 Represents gross consideration divided by ungeared net tangible assets (that is, net assets less intangibles plus borrowings less cash as at latest balance date).
6 Historical multiples are based on the most recent publicly available full year earnings prior to the transaction announcement date. Forecast multiples are based on company published earnings forecasts or brokers' reports available at transaction announcement date.
7 Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

ASX listed property investment and funds management group, a wholly owned subsidiary of which is responsible entity for Aspen Parks. Aspen Group is also the largest securityholder in Aspen Parks with a 42% interest.

On 26 October 2015, Discovery Parks Group ("Discovery"), one of the largest owners and operators of park accommodation in Australia and owned 95.32% by Sunsuper Superannuation Fund, launched a takeover offer for Aspen Parks at $0.58 cash per security. Over the next five weeks there was competitive bidding by the parties with Discovery's final offer of $0.63 cash per security made on 20 November 2015. On 23 December 2015, Aspen Group accepted that offer and agreed to terminate its management rights for $5 million cash. The transaction was completed in February 2016 and implies a high premium to NTA (60.7%) reflecting both the competitive bidding process (the initial merger consideration implied a 28% premium to NTA) as well as the specialist nature of Aspen Parks.

The value parameters from recent transactions involving residential property developers are set out below:

RECENT TRANSACTION EVIDENCE – RESIDENTIAL DEVELOPERS

			CONSID-ERATION[1] (MILLIONS)	EBITDA MULTIPLE[2] (TIMES)		EBIT MULTIPLE[3] (TIMES)		PE MULTIPLE[4] (TIMES)		UNGEARED NTA MULTIPLE[5] (TIMES)
DATE	TARGET	TRANSACTION		HISTORICAL[6]	FORECAST[6]	HISTORICAL	FORECAST	HISTORICAL	FORECAST	
Jul 16	Payce Consolidated Limited	Acquisition of 50.07% not already held by Bellawest Pty Limited and its associates	324	10.6	na	11.4	na	23.5	na	1.0
Nov 15	Devine Limited	Acquisition of 49.4% not already owned by CIMIC	119	13.7	na	14.6	na	51.9	na	0.6
Feb 15	CIC Australia	Selective share buyback to increase Peet interest to 100%	105	4.4	na	4.6	na	7.4	na	0.9
Apr 13	CIC Australia	Acquisition of 86.8% by Peet	75	13.1	na	13.7	na	14.1	na	0.9

Source: Grant Samuel analysis[7]

Acquisition of Payce Consolidated Limited by Bellawest Pty Limited

On 1 July 2016, Payce Consolidated Limited ("Payce") announced that it had entered into a scheme of arrangement under which Bellawest would acquire the 50.1% of ordinary shares in Payce that it didn't already control. The offer was extended on 26 August 2016 to include Payce's preference shares. Under the ordinary scheme Payce shareholders will receive $12.60 in cash for each Payce share. Payce shareholders could also elect to receive payment by way of unsecured Bellawest notes with a face value of $12.60 per note and attaching coupon of 6.5% per annum with a maturity date of two years after issue. Payce preference shareholders received for each preference share $1.00 cash, plus the pro-rata amount of any dividend accrued and unpaid on the preference share, plus one Payce note, being an unsecured note issued by Payce with a face value of $6.50 per note and attaching coupon of 7.5% per annum with a maturity date of 4 years after issue.

Payce is engaged in the development and sale of residential, retail and commercial property primarily within Sydney. The company's business model focuses on medium to long term medium density apartment and mixed use (retail/commercial) product and urban renewal projects. At the time of sale, Payce had a development pipeline of approximately 7,500 apartments in Sydney over the next five years, some which are in conjunction with a third party joint venture partner, and a partnering arrangement with the government to provide social housing and/or community facilities. In addition, Payce retained a joint venture stake in the commercial portion of one of its development from which it earns income.

While Bellawest (and associated parties) effectively already controlled Payce via its 49.9% interest, the consideration offered of $12.60 represents a very significant 80% premium to the trading priced of Payce shares prior to the scheme announcement and was at the top end of the independent expert's value range for Payce ordinary shares of $10.53-12.82, implying a full control premium was paid.

Acquisition of Devine Limited by CIMIC Group Limited
On 10 November 2015, CIMIC Group Limited ("CIMIC") announced that, through its wholly owned subsidiary CIMIC Residential Investments Pty Limited, it intended to make a conditional offer to acquire the 49.4% of Devine Limited ("Devine") it did not already own. The offer price of $0.75 per Devine share represented a 24% premium to the Devine share price prior to the announcement. The final offer would also increase the consideration to $0.81 per Devine share should CIMIC obtain an interest in at least 90% of the Devine shares on issue. Devine had been performing poorly prior to the takeover offer, with one of the catalysts for the offer being a profit downgrade announced on 22 October 2015. CIMIC only received acceptances for a further 8.5% stake in Devine, taking its ownership to 59.1% as a result of the offer.

The independent expert valued Devine in the range of $0.84 to $0.94 per share and therefore concluded that the offer was not fair. However, the independent expert deemed that the offer was reasonable, primarily on the basis of CIMIC's existing control over Devine and the unlikelihood of a superior proposal emerging. The offer was unanimously recommended by Devine's independent directors.

Devine is active across land development, home building, apartment and mixed-use projects and also has an in-house construction business. Operations are primarily focused in Queensland but are also established throughout Victoria and South Australia. As at 30 June 2015, Devine had a development pipeline of approximately 10,000 future dwellings across communities, integrated housing and apartments.

Acquisition of CIC Australia Limited by Peet Limited
On 10 April 2013, CIC Australia Limited ("CIC") announced an off-market takeover bid from Peet Limited for all of the outstanding shares in CIC. The consideration under the offer was $0.60 per CIC share. The offer was driven by the desire of Guinness Peat Group plc ("GPG"), who held approximately 72.82% of CIC shares, to seek an orderly realisation of its entire portfolio. GPG entered into a pre-bid arrangement with Peet Limited for 19.9% of CIC shares, and upon conclusion of the offer had sold its entire 72.82% stake. The offer was not unanimously recommended by CIC directors and Peet Limited only acquired an 86.8% stake (including GPG's shareholding).

CIC's principal activities are the acquisition, sub-division, development construction and sale of real estate, with its primary activity being the purchase and sub-division of residential land for resale. CIC also develops apartment building projects for resale and undertakes a number of joint ventures where it receives project management, marketing and sales fees. The company had projects in ACT, New South Wales, South Australia and Northern Territory.

On 25 February 2015, CIC announced a proposed scheme of arrangement to undertake a selective buy-back of all of the shares held by CIC shareholders other than those held by Peet Limited (being approximately 13.95% of total ordinary shares on issue). The consideration was $0.827 cash for each CIC share.

While the scheme was successful, the independent expert's opinion was that the consideration was not fair, but was reasonable given Peet Limited's existing 86% interest and the low likelihood of an alternative offer. All of the shares acquired by CIC as a result of the scheme were subsequently cancelled, resulting in CIC becoming a wholly owned subsidiary of Peet Limited.

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