

# IOF SUPPLEMENTARY EXPLANATORY MEMORANDUM

In relation to the proposed acquisition by DEXUS Funds Management Limited (ABN 24 060 920 783) in its capacity as responsible entity of DEXUS Office Trust (ARSN 090 768 531) and DEXUS Wholesale Management Limited (ABN 56 159 301 907) as trustee of DOT IOF Sub-Trust of all of the issued securities of Investa Office Fund, which comprises the Armstrong Jones Office Fund (ARSN 090 242 229) and the Prime Credit Property Trust (ARSN 089 849 196).

**THE INDEPENDENT EXPERT CONSIDERS THAT THE REVISED PROPOSAL CONTINUES TO BE FAIR AND REASONABLE TO, AND IN THE BEST INTERESTS OF, IOF UNITHOLDERS IN THE ABSENCE OF A SUPERIOR PROPOSAL**

**The Independent Directors of Investa Listed Funds Management Limited (ACN 149 175 655, AFSL 401414) as responsible entity of Investa Office Fund continue to unanimously recommend that you vote in favour of the Proposal Resolutions, in the absence of a Superior Proposal**

## MEETING DETAILS

**Time:** 10.00am (Sydney time)  
**Date:** Friday, 15 April 2016  
**Place:** Radisson Blu Plaza Hotel,  
 27 O'Connell Street, Sydney  
 NSW 2000

This is an important document and requires your immediate attention. You should read the whole document and the Explanatory Memorandum dated 9 March 2016 in its entirety before deciding how to vote.

If you are in any doubt about how to deal with this document, you should consult an independent, appropriately licensed and authorised professional adviser without delay.

FINANCIAL ADVISERS



MACQUARIE



FORT STREET  
ADVISERS

LEGAL ADVISER



HERBERT  
SMITH  
FREEHILLS

# Disclaimer and important notices

## What is this document

This Supplementary Explanatory Memorandum supplements the Explanatory Memorandum dated 9 March 2016 which contains information about the Proposal which, if approved and implemented, will result in the Bidder acquiring all of the units in IOF. This Supplementary Explanatory Memorandum must be read together with the Explanatory Memorandum. If there are any inconsistencies between this Supplementary Explanatory Memorandum and the Explanatory Memorandum, this Supplementary Explanatory Memorandum will prevail. Other than the changes set out herein, all details in relation to the Proposal set out in the Explanatory Memorandum remain unchanged.

This Supplementary Explanatory Memorandum, together with the Explanatory Memorandum, comprise an explanatory statement and notices of meeting for IOF Unitholders in relation to the Proposal.

The Proposal is subject to a number of conditions precedent, including IOF Unitholders approving the Proposal Resolutions (see Section 14.3 of the Explanatory Memorandum).

## General

This Supplementary Explanatory Memorandum is important and requires your immediate attention. You should read this Supplementary Explanatory Memorandum and the Explanatory Memorandum in full before making any decision as to how to vote at the Meeting. In particular, it is important that you consider the disadvantages and key risks of the Proposal and the key risks of the Merged Group as set out in Section 4.4 and Section 11 of the Explanatory Memorandum.

If you have sold all of your IOF Units, please ignore this Supplementary Explanatory Memorandum.

If you are in doubt as to what you should do, you should consult your broker or financial, taxation, legal or other professional adviser immediately.

## Purpose of this document

This Supplementary Explanatory Memorandum, together with the Explanatory Memorandum, has been prepared for IOF Unitholders in connection with the extraordinary general meeting to be held on Friday, 15 April 2016 in relation to the Proposal under which the Bidder proposes to acquire all of the IOF Units on issue. The purpose of this Supplementary Explanatory Memorandum, together with the Explanatory Memorandum, is to provide IOF Unitholders with information about the Proposal and with information that is prescribed or otherwise which the Independent Directors believe to be material to deciding whether or not to approve the Proposal Resolutions detailed in the Notice of Meeting included as Attachment 4 to the Explanatory Memorandum.

This Supplementary Explanatory Memorandum does not constitute or contain an offer to IOF Unitholders, or a solicitation of an offer from IOF Unitholders, in any jurisdiction.

This Supplementary Explanatory Memorandum is not a product disclosure statement under Part 7.9 of the Corporations Act in respect of the new DEXUS Securities. The ASIC relief described in Section 14.6(b) of the Explanatory Memorandum provides an exemption in respect of the requirement for DEXUS RE to prepare a product disclosure statement in respect of the DEXUS Securities to be issued as part of the Proposal Consideration.

A copy of this Supplementary Explanatory Memorandum has been provided to ASIC and ASX. None of ASIC or ASX, or their officers take any responsibility for the contents of this Supplementary Explanatory Memorandum.

## Court involvement

The Court provided the First Judicial Advice on 8 March 2016 and the Judicial Advice in relation to this Supplementary Explanatory Memorandum on 31 March 2016. The Court's provision of judicial advice is not and should not be treated as an endorsement by the Court of, or any other expression of opinion by the Court on, the Proposal. In particular, the Court's provision of the judicial advice does not mean that the Court:

- > has formed any view as to the merits of the Proposal or as to how IOF Unitholders should vote (on this matter IOF Unitholders must reach their own decision); or
- > has prepared, or is responsible for, the content of this Supplementary Explanatory Memorandum.

## Notice of Second Judicial Advice hearing On the Second Judicial Advice Date, the Court will consider whether to give the Second Judicial Advice following the vote at the Meeting.

**Any IOF Unitholder may appear at the Second Judicial Advice hearing, expected to be held on Tuesday, 19 April 2016 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney.**

**Any IOF Unitholder who wishes to oppose the Second Judicial Advice at the Second Judicial Advice hearing may do so by filing with the Court and serving on IOF a notice of appearance in the prescribed form together with any affidavit that the IOF Unitholder proposes to rely on.**

## Responsible entity

ILFML is the responsible entity of the AJO Fund and the PCP Trust. DEXUS RE is the responsible entity of DIT, DOT, DXO and DDF. The AJO Fund and the PCP Trust and DIT, DOT, DXO and DDF are managed investment schemes registered under Chapter 5C of the Corporations Act. Unless the context otherwise requires in this Supplementary Explanatory Memorandum, a reference to ILFML is a reference to it in its capacity as responsible entity of the AJO Fund and the PCP Trust and a reference to DEXUS RE is a reference to it in its capacity as responsible entity of DIT, DOT, DXO and DDF.

## Defined terms

Capitalised terms used in this Supplementary Explanatory Memorandum are defined in Section 6 of this Supplementary Explanatory Memorandum and in Section 15 of the Explanatory Memorandum. Section 6.2 of this Supplementary Explanatory Memorandum also sets out some rules of interpretation which apply to this Supplementary Explanatory Memorandum.

## No investment advice

This Supplementary Explanatory Memorandum has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any IOF Unitholder or any other person. The information and recommendations contained in this Supplementary Explanatory Memorandum do not constitute, and should not be taken as, financial product advice. Before making any investment decision you should carefully consider whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances. The ILFML Board encourages you to seek independent, and appropriately licensed and authorised professional financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Proposal Resolutions.

This Supplementary Explanatory Memorandum is important and requires your immediate attention. It should be read in its entirety, along with the Explanatory Memorandum, before making a decision on whether or not to vote in favour

of the Proposal Resolutions. In particular, it is important that you consider the potential risks of the Proposal, as set out in Section 11 of the Explanatory Memorandum, and the views of the Independent Expert set out in the Supplementary Independent Expert's Report contained in Attachment 1 to this Supplementary Explanatory Memorandum and the Independent Expert Report contained in Attachment 2 to the Explanatory Memorandum.

If you are in doubt as to the course you should follow, you should consult an independent, appropriately licensed and authorised professional adviser.

The Independent Directors make no recommendation in respect of any Election for Proposal Consideration by IOF Unitholders.

## Forward looking statements

Some of the statements appearing in this Supplementary Explanatory Memorandum may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Supplementary Explanatory Memorandum (including in the Supplementary Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'forecast', 'future', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of ILFML or DEXUS RE are or may be forward looking statements.

Statements made in this Supplementary Explanatory Memorandum, relating to the Merged Group also include forward-looking statements, based on the current expectations of ILFML (in relation to the information for which IOF takes responsibility) and DEXUS RE (in relation to the information for which DEXUS takes responsibility) about future events, including the Pro Forma Financial Information.

You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties that could cause actual results to differ materially from the expectations described in such prospective information. Those risks and uncertainties include factors and risks specific to the industries in which IOF and DEXUS operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets. Factors which may affect future financial performance include those risks identified in Section 11 of the Explanatory Memorandum, the relevant assumptions not proving correct and other matters not currently known to, or considered by, ILFML or DEXUS RE.

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

The historical financial performance of IOF or DEXUS is no assurance or indicator of future financial performance of the Merged Group (or IOF or DEXUS in the scenario where the Proposal does

not proceed). Neither IOF nor DEXUS guarantees any particular rate of return or the performance of the Merged Group, nor do they guarantee the repayment of capital or any particular tax treatment in respect of any investment in the Merged Group.

The forward looking statements in this Supplementary Explanatory Memorandum reflect views held only at the date of this Supplementary Explanatory Memorandum. Subject to any continuing obligations under the Listing Rules or the Corporations Act, ILFML and its respective officers, directors, employees and advisers disclaim any obligation or undertaking to distribute after the date of this Supplementary Explanatory Memorandum any updates or revisions to any forward looking statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

### Responsibility statement

Except as outlined below, the information contained in this Supplementary Explanatory Memorandum has been prepared by ILFML and is its responsibility alone. Except as outlined below, neither DEXUS nor any of its Controlled Entities, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

DEXUS RE has provided and is liable for, the Revised Merged Group Financial Information including the Pro Forma Financial Information and assumes responsibility for the accuracy and completeness of the Revised Merged Group Financial Information, except to the extent that ILFML has provided information concerning IOF that is included in, or was used in the preparation of the Revised Merged Group Financial Information, including the Pro Forma Financial Information (including in any assumptions) for which IOF is responsible.

DEXUS RE has prepared and provided the DEXUS Information and is responsible for that information. Neither ILFML nor its Controlled Entities, directors, officers or advisers assume any responsibility for the accuracy or completeness of the DEXUS Information.

KPMG Corporate Finance has prepared the Supplementary Independent Expert's Report (as set out in Attachment 1 to this Supplementary Explanatory Memorandum) and takes responsibility for that report.

PwCS has prepared the Investigating Accountant's Letter (as set out in Attachment 2 to this Supplementary Explanatory Memorandum) and takes responsibility for that letter.

Greenwoods & Herbert Smith Freehills Pty Limited has prepared the taxation letter (as set out in Attachment 3 of this Supplementary Explanatory Memorandum) and takes responsibility for that letter.

No consenting party has withdrawn their consent to be named before the date of this Supplementary Explanatory Memorandum.

DWML as trustee of DOT IOF Sub-Trust is not providing any advice in relation to the new DEXUS Securities to be issued pursuant to the Proposal.

### Foreign jurisdictions

The release, publication or distribution of this Supplementary Explanatory Memorandum (electronically or otherwise) in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Supplementary Explanatory Memorandum 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 Supplementary Explanatory Memorandum has been prepared in accordance with the laws of the Commonwealth of Australia and the information contained in this Supplementary Explanatory Memorandum may not be the same as that which would have been disclosed if this Supplementary Explanatory Memorandum had been prepared in accordance with the laws and regulations of a jurisdiction outside Australia.

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

This Supplementary Explanatory Memorandum does not constitute an offer to any person in the US, any US person (as such term is defined in Regulation S under the U.S. Securities Act of 1933) (**U.S. Securities Act**) (**U.S. Person**) or any person acting for the account or benefit of a U.S. Person. Securities may not be offered or sold in the US or to, or for the account or benefit of U.S. Persons unless they are registered under the U.S. Securities Act or exempt from registration.

Proposal Participants that are considered to be Ineligible Overseas Unitholders will not be able to receive Proposal Consideration that is new DEXUS Securities and will instead receive cash under the Sale Facility in respect of those DEXUS Securities.

For details regarding Ineligible Overseas Unitholders, refer to Section 5.3(d) of the Explanatory Memorandum.

### Financial amounts

All financial amounts in this Supplementary Explanatory Memorandum are expressed in Australian currency unless otherwise stated.

All financial and operational information set out in this Supplementary Explanatory Memorandum is current as at the date of this Supplementary Explanatory Memorandum, unless otherwise stated.

### Charts, maps and diagrams

Any diagrams, charts, maps, graphs or tables appearing in this Supplementary Explanatory Memorandum 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 as at 31 December 2015.

### Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Supplementary Explanatory Memorandum are subject to the effect of rounding.

Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Supplementary Explanatory Memorandum.

As a result, any calculations you make based on the figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Supplementary Explanatory Memorandum may differ from the correct answers to those calculations.

Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

### Timetable and dates

All times and dates referred to in this Supplementary Explanatory Memorandum are Sydney, Australia time, unless otherwise indicated.

All times and dates relating to the implementation of the Proposal referred to in this Supplementary

Explanatory Memorandum may change and, among other things, are subject to all necessary approvals from regulatory authorities.

### Implied value

Any reference to the implied value of the Proposal Consideration should not be taken as an indication that IOF Unitholders will receive cash. The implied value of the Proposal Consideration is not fixed. As IOF Unitholders are being offered new DEXUS Securities as part of the consideration for their IOF Units under the Proposal, the implied value of the Proposal Consideration will vary with the market price of DEXUS Securities. This also applies to Ineligible Overseas Unitholders and Electing Minimum Holders, whose Proposal Consideration is new DEXUS Securities, which will be remitted to the Sale Agent to sell on the Ineligible Overseas Unitholders' and Electing Minimum Holders' behalf. Any cash remitted to Ineligible Overseas Unitholders and Electing Minimum Holders under the Sale Facility will depend on the market price of DEXUS Securities at the time of sale by the Sale Agent.

### Privacy

ILFML and DEXUS RE may collect personal information in the process of implementing the Proposal. The type of information that it may collect about you includes your name, contact details and information on your securityholding in IOF and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist ILFML to conduct the Meeting and ILFML and DEXUS RE to implement the Proposal. Without this information, ILFML may be hindered in its ability to issue this Supplementary Explanatory Memorandum and implement the Proposal. Personal information of the type described above may be disclosed to the IOF Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Meeting), authorised securities brokers, professional advisers, Related Bodies Corporate of ILFML and DEXUS RE, regulatory authorities, and also where disclosure is otherwise required or allowed by law.

IOF Unitholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of information about you held by the IOF Registry in connection with IOF Units, please contact the IOF Registry.

IOF Unitholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should ensure that they inform such an individual of the matters outlined above.

### Additional information

If, after reading this Supplementary Explanatory Memorandum, you have any questions regarding the Proposal, please call the IOF Unitholder Information Line on 1300 308 902 (callers in Australia) or +61 2 9098 9228 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday, or consult an independent and appropriately licensed and authorised professional adviser.

### Date of Supplementary Explanatory Memorandum

This Supplementary Explanatory Memorandum is dated 31 March 2016.

# Contents

1	Key dates	6
2	Frequently asked questions	7
3	Update since the Explanatory Memorandum	11
4	Revised Merged Group Financial Information	14
5	Additional information	19
6	Glossary and interpretation	21
	Attachment 1 Supplementary Independent Expert's Report	23
	Attachment 2 Investigating Accountant Letter	47
	Attachment 3 Taxation Letter	55
	Corporate Directory	IBC

16  
to  
24

# Letter from the Chairman of Investa Office Fund

31 March 2016

Dear IOF Unitholder,

## Special Distribution

The Independent Directors are focused on acting in the best interests of, and maximising value for, IOF unitholders.

In this regard, I am pleased to inform you that the Independent Directors have determined that IOF will pay a special distribution of 7 cents cash per IOF Unit to IOF Unitholders conditional upon the Proposal becoming Effective. Under the terms of the Implementation Agreement, DEXUS RE has consented to this payment.

Accordingly, if the Proposal Resolutions are approved and the Proposal becomes Effective, IOF Unitholders on the IOF Register on the Record Date will be paid on the Implementation Date:

- > **a special distribution from IOF of 7 cents in cash for each IOF Unit (Special Distribution); and**
- > **Standard Consideration from DEXUS RE of \$0.8229 in cash and 0.4240 new DEXUS Securities for each IOF Unit (or Proposal Consideration in accordance with your Election).**

The Special Distribution is a separate payment from IOF and is in addition to the Proposal Consideration which IOF Unitholders will receive. IOF Unitholders are able to elect to receive the Standard Consideration, Maximum Cash Consideration (subject to scale-back) or Maximum Scrip Consideration (subject to scale-back). Please see Section 5 of the Explanatory Memorandum for full details in relation to the Elections that IOF Unitholders may make and for a summary of the scale-back mechanism<sup>1</sup>. In the absence of a valid Election, IOF Unitholders are deemed to have elected to receive the Standard Consideration. If the Proposal becomes Effective, as stated, the Special Distribution will be paid regardless of which Proposal Consideration the IOF unitholders elect to receive.

The Special Distribution was consented to by DEXUS in accordance with the Implementation Agreement having regard to the following:

- > DEXUS RE has re-assessed transaction costs associated with the Proposal to be \$19 million lower than expected, primarily due to a reduction in costs associated with financing arrangements;
- > it appears unlikely that given the terms of the Platform Sale Agreement, DEXUS RE would make a facilitation payment to IOM or any other member of the ICPF Group in relation to the loss of certain IOF management rights; and
- > the Independent Directors and DEXUS RE believe that the Special Distribution will further enhance the appeal of the Proposal to IOF unitholders.

DEXUS has also advised the Independent Directors that it does not intend to increase the Proposal Consideration or consent to any other distribution whether of capital or income to IOF Unitholders by ILFML, in the absence of a Competing Transaction.

The Proposal, together with the Special Distribution, delivers an attractive premium to IOF Unitholders, which is illustrated in the table below with reference to the trading price of DEXUS Securities and IOF Units prior to the Proposal being announced.

Valuation metrics	DEXUS 10-Day VWAP (to 4 Dec 15) <sup>a</sup>	DEXUS close (4 Dec 2015) <sup>a</sup>	DEXUS close (3 Mar 2016) <sup>a</sup>	DEXUS close (24 Mar 2016) <sup>a</sup>	DEXUS close (31 Mar 2016) <sup>b</sup>
<b>DEXUS Security price</b>	\$7.76	\$7.65	\$7.85	\$7.90	\$7.94
Implied Announcement Value	\$4.11	\$4.07	\$4.15	\$4.17	\$4.19
Special Distribution	\$0.07	\$0.07	\$0.07	\$0.07	\$0.07
<b>Offer consideration and the Special Distribution for IOF unitholders</b>	<b>\$4.18</b>	<b>\$4.14</b>	<b>\$4.22</b>	<b>\$4.24</b>	<b>\$4.26</b>
<b>Premia to:</b>					
IOF Close 13 August 2015 <sup>c</sup>	\$3.72	12.5%	11.2%	13.5%	14.5%
IOF Close 4 December 2015 <sup>d</sup>	\$3.83	9.3%	8.0%	10.2%	11.2%
IOF 1-month VWAP to 4 December 2015	\$3.86	8.5%	7.3%	9.5%	10.5%
IOF 31 December 2015 NTA	\$3.98	5.1%	3.9%	6.1%	7.0%

a. References to historical DEXUS Securities price do not reflect the impact (if any) that the Special Distribution may have on the value of DEXUS Securities.

b. Being the trading day following the announcement of the Special Distribution.

c. Being the day prior to the announcement of the IOF strategic review.

d. Being the last trading day prior to the announcement of the Proposal.

The Proposal, together with the Special Distribution, increases the earnings and distribution accretion and improves the impact on NTA for IOF Unitholders.

1. If the Proposal is implemented, new DEXUS Securities issued to IOF Unitholders under the Proposal will rank equally with all other DEXUS Securities on issue and therefore will have full entitlement to any DEXUS distribution for the six-month period ending 30 June 2016 and subsequent distribution periods.

An indicative summary of the financial impact of the Proposal for IOF (assuming the Proposal had been implemented on 1 July 2015), updated for the impact of the Special Distribution, is outlined in the table below.

	IOF standalone	Post-implementation (IOF equivalent) <sup>a</sup>	Impact
<b>FY16 pro forma FFO and distribution impact</b>			
FY16 pro forma headline FFO per Unit	28.4 cents	33.9 cents	+19.4%
FY16 pro forma underlying FFO per Unit	28.4 cents	31.1 cents	+9.6%
FY16 pro forma DPS	19.6 cents	23.4 cents <sup>b</sup>	+19.2%
<b>31 December 2015 pro forma balance sheet impact</b>			
Net tangible asset value per Unit (NTA)	\$3.98	\$3.88	(2.5%)
Gearing (look-through)	28.5% <sup>c</sup>	33.7% <sup>d</sup>	+5.2%

a. Based on the Scrip Equivalent of the Implied Offer Number and notional reinvestment of the Special Distribution at the DEXUS Reference Price.

b. DEXUS's current distribution policy is to set payout levels in line with Free Cash Flow. The IOF equivalent DPS post implementation has been calculated by applying the DEXUS payout ratio of 69% of FFO per security for both 1HY16 and FY15 to the IOF equivalent FFO post implementation of 33.9 cents per security. At this level, the payout ratio is approximately in line with the historic IOF payout ratio of 70% of FFO. The distribution for the Merged Group for the second half of the financial year ending 30 June 2016 is not yet certain. The DEXUS RE board sets the target distribution each year, having regard to its distribution policy, prior distributions, forecast income and expenditure and other general business and financial considerations. DEXUS expects to confirm its distribution guidance for the six month period ending 30 June 2016 on Friday, 24 June 2016 via announcement to the market.

c. Refer to the definition of "IOF look-through gearing" in Section 15.1 of the Explanatory Memorandum.

d. Refer to the definition of "DEXUS look-through gearing" in Section 15.1 of the Explanatory Memorandum.

I encourage you to read the reasons to vote in favour of the Proposal, why you might consider voting against the Proposal and the risks associated with the Proposal as set out in Sections 4 and 11 of the Explanatory Memorandum.

### Independent Directors Recommendation

The Independent Directors continue to unanimously recommend that IOF Unitholders vote in favour of the Proposal Resolutions, in the absence of a Superior Proposal.

### Independent Expert's Opinion

The Independent Expert considers that the Revised Proposal "continues to be fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal." The Independent Expert has provided a Supplementary Independent Expert's Report to IOF Unitholders in relation to its opinion as set out in Attachment 1 of this Supplementary Explanatory Memorandum.

### Tax implications

Australian resident IOF Unitholders who hold their IOF Units on capital account will include in their assessable income the taxable component of the Special Distribution. Any tax deferred component will result in a cost base adjustment to the IOF Units. The Special Distribution should not otherwise impact the tax consequences of the Proposal as set out in section 13 of the Explanatory Memorandum. Detail as to the tax implications of the Special Distribution are included in Attachment 3 of this Supplementary Explanatory Memorandum.

IOF Unitholders are encouraged to seek professional tax advice regarding the tax implications of the Special Distribution.

### Update following the release of the Explanatory Memorandum

Set out in Section 3 of this Supplementary Explanatory Memorandum is an overview of events that have occurred since the Explanatory Memorandum was released on 9 March 2016. An overview of the updates on the Platform Sale, Takeovers Panel and Court proceedings is set out directly below.

### Platform Sale

DEXUS RE has confirmed to the Independent Directors that if the Proposal is approved and implemented, it intends to exercise the legal and equitable rights it will have as the ultimate owner of IOF to "internalise" the AJO Fund and PCP Trust in order ensure an orderly integration of IOF into the Merged Group. DEXUS RE has also confirmed that the Platform Sale does not affect this confirmation. The steps required to implement these intentions, including relief applied for from ASIC to expedite the process, are described in further detail in Section 3.3.<sup>2</sup>

### Takeovers Panel and Court proceedings

Takeovers Panel proceedings have been commenced by DEXUS RE in relation to (among other things) matters in connection with voting by PSP (a company which is ultimately owned by a partnership managed by Morgan Stanley that holds

2. DEXUS has applied for in-principle relief from ASIC that it may procure these changes by written resolution rather than by holding meetings. If this in-principle relief is granted, it is expected that these changes will take effect on or about 31 May 2016.

approximately 8.9% of IOF Units) at the Meeting and the conduct of the ICPF Group and the Investa Office Management Platform in connection with the Proposal from DEXUS. See the media release by the Takeovers Panel dated 22 March 2016 concerning these proceedings.

Following DEXUS RE commencing Takeovers Panel proceedings, PSP (a company which is ultimately owned by a partnership managed by Morgan Stanley) commenced legal proceedings in Court against ILFML and the Chairman of ILFML. As announced by IOF on 29 March 2016, those proceedings were settled by the consent of the parties on 24 March 2016.

Please see Sections 3.5 and 3.6 for additional information.

### **New meeting date**

The Meeting to consider the Proposal Resolutions to implement the Proposal was originally scheduled for Friday, 8 April 2016. As a consequence of the announcement of the Special Distribution, the Independent Directors have determined that the Meeting should be adjourned. The new Meeting Date is Friday, 15 April 2016.

The Meeting will be held at:

**10.00am (Sydney time), Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney NSW 2000.**

A full list of the new dates in connection with the Proposal is set out on page 6.

### **Proxy forms**

All IOF Unitholders on the IOF Register as at 7.00pm (Sydney time) on Wednesday, 13 April 2016 will be entitled to attend and vote at the Meeting (subject to any applicable voting exclusions). Further details about how to vote are set out in Section 2 of the Explanatory Memorandum.

If you are not able to attend the Meeting, you can vote by proxy.

If you have already submitted a valid proxy form for the Meeting that was to be held on Friday, 8 April 2016 and you do not want to change the way in which you have voted, you do not need to do anything.

If you have already submitted a valid proxy form for the Meeting that was to be held on Friday, 8 April 2016 and you want to change the way in which you have voted, you may do that by completing and returning a new proxy form to the IOF Registry in accordance with the details contained in Section 2 of the Explanatory Memorandum.

A new proxy form accompanies this letter and may be used by IOF Unitholders who have not already submitted a proxy form or who want to change their vote.

Completed proxy forms must be received by the IOF Registry by no later than 10.00am (Sydney time) on Wednesday, 13 April 2016.

### **Elections**

Election Forms must be returned to the IOF Registry by 5.00pm on Thursday, 28 April 2016 (notwithstanding that the Election Form distributed with the Explanatory Memorandum stated that they were to be returned by Wednesday, 20 April 2016).

Further details about completing and returning the Election Form is on the Election Form and in Section 2 of the Explanatory Memorandum. The difference between the three forms of Proposal Consideration are summarised in Section 5.3 of the Explanatory Memorandum.

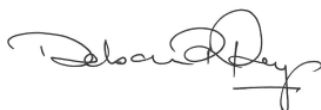
For convenience a new Election Form accompanies this Supplementary Explanatory Memorandum.

Once made an Election is irrevocable (unless the Bidder in its discretion agrees to the revocation of the Election) and applies to all IOF Units which you hold on the Record Date. However, if you have already submitted an Election Form on or before the date of this Supplementary Explanatory Memorandum and you wish to change your Election, you may do that by completing and returning a new Election Form to the IOF Registry in accordance with the details contained in Section 2 of the Explanatory Memorandum.

### **Conclusion**

I am pleased to present this opportunity to IOF Unitholders, with an enhanced financial return for IOF Unitholders, and look forward to your participation at the Meeting. Your vote is important and I encourage you to vote in favour of the Proposal, in the absence of a Superior Proposal.

Yours sincerely



**Deborah Page AM**

*Chairman and Non-Executive Director*  
Investa Listed Funds Management Limited

# 1

## KEY DATES

### Key Dates

Date of the Explanatory Memorandum	Wednesday, 9 March 2016
Date of this Supplementary Explanatory Memorandum	Thursday, 31 March 2016
Latest time and date for receipt of Proxy Forms by the IOF Registry for the Meeting	10.00am Wednesday, 13 April 2016
Voting Record Date	7.00pm Wednesday, 13 April 2016
Time and date of the Meeting	10.00am Friday, 15 April 2016

If the Proposal Resolutions are approved and all other Conditions Precedent in connection with the Proposal are satisfied or waived (if applicable), the following key dates apply.

Second Judicial Advice Date	Tuesday, 19 April 2016
Effective Date	Wednesday, 20 April 2016
Election Date	5.00pm Thursday, 28 April 2016
Record Date	5.00pm Friday, 29 April 2016
Implementation Date	Friday, 6 May 2016
New DEXUS Securities commence trading	Monday, 9 May 2016 <sup>a</sup>

a. Trading will commence on a normal T+2 settlement basis.

All dates in the above timetable are indicative only and are subject to change. The parties may vary any or all of these dates and times and will provide reasonable notice of any such variation. Any changes will be announced by IOF to ASX and published on IOF's website at [www.investa.com.au/funds/investa-office-fund-iof/asx-media/](http://www.investa.com.au/funds/investa-office-fund-iof/asx-media/). All times and dates refer to Sydney time.



# 2

## FREQUENTLY ASKED QUESTIONS

This Section 2 answers some frequently asked questions about information contained in this Supplementary Explanatory Memorandum. It is not intended to address all relevant issues for IOF Unitholders. This Section 2 should be read together with all other parts of this Supplementary Explanatory Memorandum and the Explanatory Memorandum.

QUESTION	ANSWER	MORE INFORMATION
<b>This Supplementary Explanatory Memorandum</b>		
<b>Why have I received this document?</b>	<p>This is a Supplementary Explanatory Memorandum that has been sent to you because you are an IOF Unitholder and you are being asked to vote on the Proposal Resolutions.</p> <p>This Supplementary Explanatory Memorandum provides information in relation to a Special Distribution that IOF intends to pay if the Proposal is approved and implemented and provides an update on events that have occurred since the Explanatory Memorandum was released on 9 March 2016.</p> <p>This Supplementary Explanatory Memorandum, along with the Explanatory Memorandum, provides information to assist you to decide how to vote on the Proposal Resolutions at the Meeting.</p>	Not applicable
<b>What is the Proposal?</b>	<p>The Proposal is unchanged from the Proposal described in the Explanatory Memorandum except that conditional on the Proposal becoming Effective, IOF has determined to pay on the Implementation Date, a special distribution of 7 cents cash per IOF Unit to IOF Unitholders on the IOF Register on the Record Date.</p> <p>The Platform Sale, which was noted in the Explanatory Memorandum as having completed, does not change the Proposal.</p> <p>As described in the Explanatory Memorandum, the Proposal involves the acquisition by the Bidder of all of the IOF Units from the Proposal Participants by way of a trust scheme facilitated by amendments to the IOF Constitution and a resolution pursuant to section 611 item 7 of the Corporations Act.</p> <p>If the Proposal becomes Effective and is implemented then:</p> <ul style="list-style-type: none"><li>&gt; the Bidder will acquire all of the IOF Units; and</li><li>&gt; Eligible IOF Unitholders will receive in accordance with their Election:<ul style="list-style-type: none"><li>– Standard Consideration, being \$0.8229 cash and 0.4240 new DEXUS Securities for each IOF Unit held at the Record Date (on the terms as described in Section 5.3(a) of the Explanatory Memorandum);</li><li>– Maximum Cash Consideration (on the terms, including scaleback, as described in Section 5.3(b) of the Explanatory Memorandum); or</li><li>– Maximum Scrip Consideration (on the terms, including scaleback, as described in Section 5.3(c) of the Explanatory Memorandum); and</li></ul></li><li>&gt; IOF Unitholders on the IOF Register on the Record Date will receive a special distribution of 7 cents cash per IOF Unit.</li></ul>	Section 5 of the Explanatory Memorandum.

QUESTION	ANSWER	MORE INFORMATION
<b>Special Distribution</b>		
<b>What is the Special Distribution?</b>	Conditional on the Proposal becoming Effective, IOF has determined to pay on the Implementation Date, a special distribution of 7 cents cash per IOF Unit to IOF Unitholders on the IOF Register on the Record Date.	Chairman's letter
<b>Will I receive the Special Distribution if the Proposal Resolutions are not approved?</b>	No, the Special Distribution is conditional upon the Proposal Resolutions being approved, and the Proposal becoming Effective.	Chairman's letter
<b>Who is paying the Special Distribution?</b>	The Special Distribution is to be paid out of the resources of IOF (including by drawing down on its existing finance facilities). The Special Distribution will only be paid if the Proposal becomes Effective.  Under the terms of the Implementation Agreement, DEXUS RE has agreed to this payment by IOF.	Chairman's letter
<b>What are the tax implications for the Special Distribution?</b>	Australian resident IOF Unitholders who hold their IOF Units on capital account will include in their assessable income the taxable component of the Special Distribution. Any tax deferred component will result in a cost base adjustment to the IOF Units. The Special Distribution should not otherwise impact the tax consequences of the Proposal as set out in section 13 of the Explanatory Memorandum.	Attachment 3
<b>Are the terms of the Proposal or Proposal Consideration changed as a result of the Special Distribution?</b>	No. The Special Distribution is a payment from IOF and will be paid on the Implementation Date to all IOF unitholders immediately before Implementation of the Proposal occurs regardless of the Proposal Consideration you elect to receive.	Not applicable
<b>Independent Directors' recommendation and Independent Expert's Opinion</b>		
<b>Do the Independent Directors continue to recommend the Proposal?</b>	The Independent Directors continue to unanimously recommend that IOF Unitholders vote in favour of the Proposal Resolutions, in the absence of a Superior Proposal.	Chairman's letter
<b>What is the opinion of the Independent Expert?</b>	The Independent Expert considers that the Revised Proposal "continues to be fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal." The Independent Expert has provided a Supplementary Independent Expert's Report to IOF Unitholders in relation to its opinion which is included at Attachment 1 to the Supplementary Explanatory Memorandum.	Attachment 1
<b>Investa Office Management Platform</b>		
<b>Are there any implications for the Proposal now that Investa Office Management Platform is owned by the ICPF Group?</b>	No.  The change in ownership of the Investa Office Management Platform does not affect the Proposal by the Bidder to acquire all of IOF's units, the implementation of the Proposal or DEXUS RE's intentions as expressed in the Explanatory Memorandum.  The Independent Director's recommendation that IOF Unitholders vote in favour of the Proposal is not affected by the Platform Sale nor is the Independent Expert's conclusion that the Proposal "is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal".	Section 3.3

QUESTION	ANSWER	MORE INFORMATION
<b>Will IOF acquire 50% of the Investa Office Management Platform if the Proposal is not approved and implemented?</b>	<p>The Independent Directors and their advisers held discussions with ICPF to explore this concept as part of the strategic review discussed in Section 4.2 of the Explanatory Memorandum. The Proposal from DEXUS was concluded to be superior to this alternative.</p> <p>Nothing has stopped the ICPF Group from putting a joint ownership proposal to the Independent Directors again. This has not occurred. Further, under the Platform Sale Agreement, Sundown (which is ultimately owned by a partnership managed by Morgan Stanley) has a veto right in respect of any such joint venture.</p> <p>Accordingly, if the Proposal is not implemented, there can be no guarantee that any joint ownership arrangement will be agreed between ILFML and ICPF Holdco or that Morgan Stanley (through Sundown) will grant its approval to any such joint ownership arrangement. See Section 3.3 below for further details.</p>	Section 3.3
<b>If the Proposal is approved and implemented will DEXUS be able to change the responsible entity and transition management from the Investa Office Management Platform</b>	<p>Yes.</p> <p>If the Proposal is approved and implemented, DEXUS RE will be able to exercise the legal and equitable rights that it will have as the ultimate owner of IOF to ensure an orderly integration of IOF within the Merged Group and will take steps to change the responsible entity of AJO Fund and PCP Trust to DXFM and reduce the responsible entity fees of each to nil. Full details in relation to this are set out in Section 9.2(b) of the Explanatory Memorandum.</p> <p>No change has been made to DEXUS RE's intentions as set out in the Explanatory Memorandum, nor has the ability or capacity of DEXUS to implement these intentions and make the required changes been affected, as a result of the Platform Sale or any announcements by the Investa Office Management Platform.</p>	Section 3.3
<b>Meeting details and Proxies</b>		
<b>When and where will the Meeting be held?</b>	The Meeting will be held at 10am (Sydney time), Friday, 15 April 2016 at Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney NSW 2000.	Chairman's letter
<b>I have already submitted a proxy form, do I have to submit a new proxy form?</b>	<p>If you have already submitted a valid proxy form for the Meeting that was to be held on Friday, 8 April 2016 and you do not want to change the way in which you have voted, you do not need to do anything.</p> <p>If you have already submitted a valid proxy form for the Meeting that was to be held on Friday, 8 April 2016 and you want to change the way in which you have voted, you may do that by completing and returning a new proxy form to the IOF Registry in accordance with the details contained in Section 2 of the Explanatory Memorandum.</p> <p>A new proxy form accompanies this letter and may be used by IOF Unitholders who have not already submitted a proxy form or who want to change their vote.</p>	Chairman's letter

QUESTION	ANSWER	MORE INFORMATION
<b>Election Forms</b>		
<b>I have already submitted my Election Form, do I need to submit a new Election Form?</b>	<p>No, unless you wish to change your Election.</p> <p>If you have already submitted an Election Form on or before the date of this Supplementary Explanatory Memorandum and you wish to change the Election that you have already submitted, you may do that by completing and returning a new Election Form to the IOF Registry in accordance with the details contained in Section 2 of the Explanatory Memorandum.</p> <p>Except for IOF Unitholders who have already submitted an Election Form who wish to change that Election, once made, an Election is irrevocable (unless the Bidder in its discretion agrees to the revocation of the Election) and applies to all IOF Units which you hold on the Record Date.</p> <p>For convenience a new Election Form accompanies this Supplementary Explanatory Memorandum.</p>	Chairman's letter
<b>Other matters</b>		
<b>Further questions</b>	<p>If after reading the Explanatory Memorandum or this Supplementary Explanatory Memorandum you have any questions about the Proposal, you should call the IOF Unitholder Information Line on 1300 308 902 (callers in Australia) or +61 2 9098 9228 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday.</p> <p>If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised professional adviser without delay.</p>	Not applicable

# 3

## UPDATE SINCE THE EXPLANATORY MEMORANDUM

This section of the Supplementary Explanatory Memorandum provides an update in relation to events which have occurred since the Explanatory Memorandum was released on 9 March 2016.

### 3.1 Background

A number of events have occurred since the Explanatory Memorandum was released on 9 March 2016. These events include:

- > the release to the ASX on 23 March 2016 of the Platform Sale Agreement between Sundown and ICPF Holdco which sets out an agreement between those parties in relation to certain transactions;
- > the release by the Investa Office Management Platform on 15 March 2016 of a media release and document to IOF Unitholders in connection with the Proposal. As IOF Unitholders are aware, IOMH owns IOM which is IOF's manager;
- > receipt of consents from USPP and MTN holders in relation to the Proposal and the post implementation steps;
- > the application by DEXUS RE to the Takeovers Panel on 21 March 2016;
- > Court proceedings referred to in section 3.6 below; and
- > media speculation in relation to possible competing bids for IOF.

### 3.2 Platform Sale Agreement for the sale of the Investa Office Management Platform

On 23 March 2016, IOMH released a revised "ceasing to be a substantial holder" notice to ILFML and the ASX. That updated notice included redacted terms of the Platform Sale Agreement pursuant to which Sundown (which is ultimately owned by a partnership managed by Morgan Stanley) sold the Investa Office Management Platform to ICPF Holdco (a member of the ICPF Group).

That Platform Sale Agreement sets out the terms of the Platform Sale and details Morgan Stanley's ongoing financial interest in the ownership of the Investa Office Management Platform. In particular that agreement provides:

- > ICPF Holdco must pay Sundown \$45 million if on 14 December 2016 (**Second Payment Date**), a member of the ICPF Group is the responsible entity of IOF and IOF is not subject to a control transaction proposal (the **Second Payment**);
- > if the Second Payment is not payable and ICPF Holdco or a member of the ICPF Group acquires any assets of IOF or ILFML (or any of their Controlled Entities), ICPF Holdco must pay to Sundown the higher of:
  - \$10 million; and
  - \$45 million multiplied by the amount that is equal to the value of any assets acquired from ILFML or IOF by an ICPF Group member, expressed as a percentage of \$3.495 billion;
- > if a control transaction (at either the asset or securities level) has occurred or if there is a change of responsible entity for IOF or an IOF winding up occurs on or before the Second Payment Date, Sundown must pay ICPF Holdco a payment capped at \$8 million to compensate ICPF Holdco for the costs of adjusting the scale and resources of the Investa Office Management Platform to reflect the reduced value of assets under management; and
- > Morgan Stanley has veto rights over any disposal of the ownership of the management of IOF, through to 15 December 2016 and a veto over any joint ownership proposal or joint venture in respect of the Investa Office Management Platform between ICPF Group and ILFML.

### 3.3 Investa Office Management Platform

On 15 March 2016, Investa Office Management Platform, which is engaged by IOF to provide management services, provided a media release and document to IOF Unitholders in connection with the Proposal (**IOM Document**). ILFML was not involved in the preparation of that document. The views expressed in it do not reflect the views of the Independent Directors.

ILFML released an announcement on 18 March 2016 which highlighted serious concerns with that media release and the IOM Document including undisclosed conflict of interests and lack of alignment with IOF unitholders in the outcome of the Proposal.

The Independent Directors note that Investa Office Management Platform included in the IOM Document a concept pursuant to which IOF would be able to acquire a 50% interest in the management platform through a joint ownership with the current owner of the Investa Office Management Platform (being a member of the ICPF Group).

The Independent Directors and their advisers held discussions with ICPF to explore this concept as part of the strategic review prior to entry into the Implementation Agreement. The Proposal from DEXUS was determined to be superior to this alternative. Section 4.2 of the Explanatory Memorandum continues to apply to the joint ownership proposal described by the Investa Office Management Platform.

The Independent Directors have not been approached by ICPF Holdco or ICPF Holdings, since the acquisition of the Investa Office Management Platform, in relation to this joint ownership proposal despite there being nothing to stop the ICPF Group from putting a joint ownership proposal to the Independent Directors if the ICPF Group felt it was superior to the Proposal from DEXUS. This has not occurred and although high level terms for joint ownership had been proposed by ICPF in 2015, the Independent Directors are not aware of any proposed commercial terms of any joint ownership proposal (including whether the proposal is on the same high level terms as proposed by ICPF in 2015), other than that the proposed acquisition price for 50% of the Investa Office Management Platform is \$45 million. Additionally, under the Platform Sale Agreement between Sundown (which is ultimately owned by a partnership managed by Morgan Stanley) and ICPF Holdco, Sundown has a veto right in respect of any joint ownership of the Investa Office Management Platform.

Accordingly, if the Proposal is not implemented, there can be no guarantee that any joint ownership arrangement will be agreed between ILFML and ICPF Holdco or that Morgan Stanley (through Sundown) will give its approval to any such arrangement.

Section 4.2 of the Explanatory Memorandum sets out the process that the Independent Directors followed in undertaking the strategic review and expressly sets out the Independent Directors' considerations in relation to the joint ownership model. The Independent Directors remain of the view that the Proposal with DEXUS is superior to all alternatives considered.

DEXUS RE has confirmed to the Independent Directors that if the Proposal is approved and implemented, it intends to exercise the legal and equitable rights it will have as the ultimate owner of IOF to "internalise" the AJO Fund and PCP Trust in order ensure an orderly integration of IOF into the Merged Group. This includes that, if the Proposal is implemented and the Bidder acquires 100% of the IOF Units, DEXUS RE intends to procure that the registered owners of the IOF Units pass resolutions of AJO Fund and PCP Trust respectively to:

- > remove ILFML as responsible entity of each trust and appoint DXFM as responsible entity of each trust; and
- > reduce the responsible entity fees of each trust to nil consistent with an internalised structure<sup>1</sup>.

On change of the responsible entity of AJO Fund and PCP Trust to DXFM, the Management Deed and the Investa Implementation Deed will terminate.

Full details are set out in Section 9.2(b) of the Explanatory Memorandum.

Once the Proposal becomes Effective and has been implemented, the entities which comprise the Bidder will be the only entities which have a legal or equitable right to remove ILFML as responsible entity of IOF and amend the constitutions of IOF. This is because these entities will be the only entities who are unitholders.<sup>2</sup>

Under the Corporations Act when a new entity replaces a responsible entity, the outgoing responsible entity is required to give the incoming responsible entity:

- > as soon as practicable, any books in the outgoing responsible entity's possession or control that the Corporations Act requires to be held in relation to the registered managed investment scheme; and
- > any reasonable assistance to the incoming responsible entity to facilitate the change of responsible entity.

This is also specifically required under the IOF Constitutions.

No change has been made to these intentions, nor has the ability or capacity of DEXUS to implement these intentions and make the required changes been affected, as a result of the Platform Sale or any announcements by the Investa Office Management Platform.

### 3.4 Consent of USPP and MTN holders

On 29 March 2016, DEXUS RE announced to ASX that ILFML has obtained consents from the USPP and MTN holders in relation to the Proposal and the post implementation steps<sup>3</sup>. They enable all aspects of implementation of the Proposal to be undertaken without causing a review event or default to be triggered under the IOF Debt Facilities. These amendments are expected to become operative once implementation occurs<sup>4</sup>. The risk that implementation will trigger an event of default enabling the USPP and MTN holders to exercise their rights, as set out in the Explanatory Memorandum, has been removed<sup>5</sup>.

---

1. DEXUS has applied for in-principle relief from ASIC that it may procure these changes by written resolution rather than by holding meetings. If this in-principle relief is granted, it is expected that these changes will take effect on or about 31 May 2016.

2. This is by virtue of section 601FM of the Corporations Act which provides that members of a registered managed investment scheme are entitled to remove the responsible entity of a registered managed investment scheme.

3. See sections 9.2 and 9.3 of the Explanatory Memorandum for details regarding the post-implementation steps.

4. The USPP holder consents are conditional on Implementation having occurred by 31 August 2016. Under the current timetable it is expected that Implementation will occur on 6 May 2016. There is no "sunset" date in respect of the MTN consents. Obtaining these consents was not a condition of the proposal.

5. See sections 3, 9.2 and 9.3 of the Explanatory Memorandum.

### **3.5 Takeovers Panel proceedings**

Takeovers Panel proceedings have been commenced by DEXUS RE in relation to (among other things) matters in connection with voting by PSP (a company which is ultimately owned by a partnership managed by Morgan Stanley that holds approximately 8.9% of IOF Units) at the Meeting and the conduct of the ICPF Group and the Investa Office Management Platform in connection with the Proposal from DEXUS. See the media release by the Takeovers Panel dated 22 March 2016 concerning these proceedings.

As an application has been made to the Takeovers Panel, and proceedings may be commenced and are not yet complete, the Independent Directors are unable to make further comments, other than noting that ILFML will provide updated information to IOF Unitholders in relation to the Takeovers Panel proceedings when it is available.

### **3.6 Court proceedings**

Following DEXUS RE commencing Takeovers Panel proceedings, PSP (a company which is ultimately owned by a partnership managed by Morgan Stanley) commenced legal proceedings in Court against ILFML and the Chairman of ILFML. As announced by IOF on 29 March 2016, those proceedings were settled by consent orders being entered on 24 March 2016. On 24 March 2016 the Court declared, by consent of all parties including ILFML and PSP, based on the facts as disclosed by PSP to the Court (and subject to PSP notifying ILFML promptly of any change to those facts), that:

- > ILFML and PSP are not associates for the purposes of section 253E (which provides that a responsible entity and associates cannot vote if interested in a resolution) of the Corporations Act; and
- > PSP is not precluded from voting by reason of section 253E of the Corporations Act on any resolution put to IOF unitholders in relation to the Proposal.

The Court made no finding on PSP's ability to vote raised before it other than in relation to the specific section 253E issue which was raised by PSP.

### **3.7 Media speculation about a competing bid**

There has been media speculation that a competing bid for IOF may emerge. As a general rule, ILFML does not comment upon market speculation. To date, ILFML has received no approaches from any parties in relation to a competing bid for IOF Units.

Before agreeing to the Proposal with DEXUS, the Independent Directors undertook a strategic review of options available to IOF Unitholders which included engaging with a large number of global and Australian real estate investors who had the capability and capacity to acquire IOF. As part of that review, the Independent Directors determined that the Proposal from DEXUS was superior to all other alternatives.

A detailed description in relation to the strategic review process and the basis for the Independent Directors' recommendation of the Proposal is set out in Section 4 of the Explanatory Memorandum.

# 4

## REVISED MERGED GROUP FINANCIAL INFORMATION

### 4.1 Overview

This Section 4 reflects the impact of the Special Distribution and reduced transaction costs on the Merged Group Financial Information contained in Section 10 of the Explanatory Memorandum. It should be read in conjunction with Section 10 of the Explanatory Memorandum including the Overview contained in Section 10.1, the assumptions set out in Section 10.3, the Sensitivity Analysis contained in Section 10.5 and the Accounting Policies set out in Section 10.6.

### 4.2 Pro Forma Consolidated Statement of Financial Position

#### a. Basis of preparation

This Section 4.2 sets out a Pro Forma Consolidated Statement of Financial Position as at 31 December 2015 assuming that the Proposal had been implemented and comprises:

- > **IOF's consolidated statement of financial position as at 31 December 2015** – extracted from IOF's interim financial report for the half-year ended 31 December 2015.
- > **DEXUS's consolidated statement of financial position as at 31 December 2015** – extracted from DEXUS's interim financial report for the half-year ended 31 December 2015.
- > **Proposal impacts** – the impacts arising from implementing the Proposal.

#### b. Pro Forma Consolidated Statement of Financial Position as at 31 December 2015

	IOF \$m	DEXUS \$m	Proposal Impact \$m	Merged Group \$m
Cash & cash equivalents	6	26		32
Receivables	17	72		89
Non-current assets classified as held for sale	71	–		71
Inventories	–	38		38
Derivative financial instruments	–	23		23
Other	–	27		27
<b>Total current assets</b>	<b>94</b>	<b>186</b>	<b>–</b>	<b>279</b>
Trade and other receivables	174	–		174
Investment properties	2,649	6,776		9,424
Plant and equipment	–	14		14
Inventories	–	226		226
Investments accounted for using the equity method	606	3,198		3,804
Derivative financial instruments	118	412		530
Deferred tax assets	–	6		6
Intangible assets	–	303	162	465
Other	–	4		4
<b>Total non-current assets</b>	<b>3,546</b>	<b>10,939</b>	<b>162</b>	<b>14,646</b>
<b>Total assets</b>	<b>3,640</b>	<b>11,124</b>	<b>162</b>	<b>14,926</b>



**b. Pro Forma Consolidated Statement of Financial Position as at 31 December 2015 *continued***

	IOF \$m	DEXUS \$m	Proposal Impact \$m	Merged Group \$m
Payables	32	117		149
Current tax liabilities	–	27		27
Interest bearing liabilities	271	76	–	347
Provisions	60	256		317
Derivative financial instruments	1	8		9
Total current liabilities	364	485	–	849
Interest bearing liabilities	823	3,197	622	4,642
Derivative financial instruments	9	92		101
Deferred tax liabilities	–	20		20
Provisions	–	2		2
Other	–	3		3
Total non-current liabilities	833	3,315	622	4,769
<b>Total liabilities</b>	<b>1,197</b>	<b>3,799</b>	<b>622</b>	<b>5,618</b>
<b>Net assets</b>	<b>2,444</b>	<b>7,325</b>	<b>(460)</b>	<b>9,308</b>
Total equity	2,444	7,325	(460)	9,308
Closing number of securities on issue (m)	614.0	967.9	260.4	1,228.3
NTA per security (\$)	3.98	7.25		7.20
Look-through gearing	28.5% <sup>a</sup>	29.5% <sup>b</sup>		33.7% <sup>c</sup>

a. Refer to definition of IOF look-through gearing in Section 15.1 of the Explanatory Memorandum.

b. Refer to definition of DEXUS look-through gearing in Section 15.1 of the Explanatory Memorandum.

c. Details of borrowings are provided in Section 9.4 of the Explanatory Memorandum. Refer to the definition of DEXUS look-through gearing in Section 15.1 of the Explanatory Memorandum.

The pro forma Proposal impact adjustments outlined in the table above comprise:

- Intangible assets** – reflects the excess of the fair value of the Proposal Consideration to acquire IOF over the fair value of the IOF net assets acquired. The pro forma Proposal impact assumes a DEXUS Security price of \$7.90 per security, based on the closing price on 24 March 2016 (being the last practicable trading day before the date of this Supplementary Explanatory Memorandum).

If the Proposal becomes Effective and is implemented, the DEXUS Security price as at the Implementation Date will be used to calculate the fair value of the Proposal Consideration. Goodwill will be tested for impairment at 30 June 2016 and annually thereafter and impaired where the value cannot be supported.

- Interest bearing liabilities** – reflects the additional net debt as a result of:
  - > additional debt drawn to fund cash consideration paid to IOF Unitholders of \$505 million;
  - > additional debt drawn by IOF to fund the Special Distribution of \$43 million;
  - > additional debt drawn to fund assumed one-off transaction costs of \$75 million, which comprises: stamp duty, advisory, debt restructuring and other implementation costs; and
  - > non-cash adjustments of (\$1) million relating to deferred borrowing costs.

### 3. Total equity and securities on issue – reflects:

- > each IOF Unit being exchanged for 0.4240 new DEXUS Securities at the DEXUS Security price of \$7.90 per security, based on the closing price on 24 March 2016 (being the last practicable trading day before the date of this Supplementary Explanatory Memorandum); and
- > transaction costs written off through profit or loss.

The following table provides a reconciliation of the movements in Pro Forma Consolidated Net Assets between the date of the Explanatory Memorandum and this Supplementary Explanatory Memorandum.

Pro forma net assets as disclosed in the Explanatory Memorandum	9,276
Payment of Special Distribution	(43)
Reduction in forecast transaction costs	19
Increase in goodwill as a result of the Special Distribution and movements in the DEXUS security price <sup>a</sup>	56
Net assets as disclosed in the Pro Forma Consolidated Statement of Financial Position in this Supplementary Explanatory Memorandum	9,308

a. Goodwill is excluded from the calculation of net tangible assets (NTA).

## 4.3 Pro Forma Consolidated Forecast of Underlying Funds from Operations

### a. Basis of preparation

This Section 4.3 sets out the Pro Forma Consolidated Forecast of Underlying Funds from Operations for the Merged Group assuming the Proposal had been implemented on 1 July 2015 and comprises:

- > **IOF's forecast FFO** – based on IOF's FFO guidance for the year ending 30 June 2016 as announced to ASX in February 2016;
- > **DEXUS's forecast FFO** – based on the upper end of DEXUS's FFO guidance range for the year ending 30 June 2016 announced to ASX in August 2015 and reaffirmed to ASX in October 2015 and February 2016; and
- > **Proposal impacts** – the impacts arising from implementing the Proposal.

IOF and DEXUS's best estimate assumptions and general assumptions outlined in Sections 10.3(c), 10.3(d) and 10.3(e) of the Explanatory Memorandum have been assumed in calculating the pro forma forecast underlying funds from operations.

IOF and DEXUS determine FFO in accordance with the PCA definition of FFO. FFO comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with AAS and adjusted for: property revaluations, impairments, derivative and foreign exchange mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees and coupon income. Underlying FFO comprises Funds from Operations excluding Trading Profits (net of tax).

### b. Pro Forma Consolidated Forecast of Underlying Funds from Operations

	IOF FY16 Guidance \$m	DEXUS FY16 Guidance (upper end) \$m	Proposal Impact \$m	Merged Group Pro-Forma \$m
FFO	174	611	(13)	772
Less: Trading Profits (net of tax)	–	(63)	–	(63)
<b>Underlying FFO</b>	<b>174</b>	<b>547</b>	<b>(13)</b>	<b>709</b>
Weighted Average Number of Securities (m)	614	969	260	1,229
<b>Underlying FFO (cents per security)</b>	<b>28.4</b>	<b>56.5</b>	<b>–</b>	<b>57.7</b>

The pro forma Proposal impact adjustments outlined in the table above comprise:

- > **Borrowing costs** – incremental borrowing costs of \$23 million per annum associated with debt funding for the Cash Component of the Proposal Consideration of \$505 million, the Special Distribution of \$43 million and transaction costs of \$75 million. This reflects a weighted average cost of debt of 3.75%.
- > **Cost synergies** – the Proposal is expected to result in \$11 million per annum of net operational cost savings. While the Pro Forma Consolidated Forecast assumes that cost synergies are in effect in full on the Implementation Date, the timing may differ. These cost synergies represent a combination of the following:
  - elimination of existing IOF operating expenses of \$15 million, including responsible entity fees paid to ILFML and other operating expenses; and
  - incremental DEXUS operating costs of \$4 million per annum comprising corporate overheads associated with the Proposal.

The following table provides a reconciliation of the movements in Pro Forma Consolidated Forecast of Underlying Funds From Operations between the Explanatory Memorandum and this Supplementary Explanatory Memorandum.

	<b>\$m</b>
Underlying FFO as disclosed in the Explanatory Memorandum	710
Increase in funding costs as a result of the Special Distribution and the reduction in transaction costs	(1)
Underlying FFO as disclosed in the Pro Forma Consolidated Forecast of Underlying Funds from Operations	709

### **c. Reconciliation of Pro Forma Consolidated Forecast of Underlying Funds from Operations to pro forma statutory net profit**

A summary of the reconciliation of the Merged Group's Pro Forma Consolidated Forecast of Underlying Funds from Operations for the year ending 30 June 2016 and the Merged Group's pro forma statutory net profit for the year ending 30 June 2016 is set out below.

#### **1. Basis of preparation**

The pro forma statutory net profit for the Merged Group provided in the table below assumes the Proposal had been implemented on the Implementation Date and comprises:

- > IOF's pro forma statutory net profit;
- > DEXUS's pro forma statutory net profit;
- > Proposal impacts – the Forecast Underlying FFO impacts arising from implementing the Proposal including:
  - borrowing costs;
  - incremental DEXUS operating costs; and
- > elimination of existing IOF operating expenses, including responsible entity fees paid to ILFML and other operating expenses.

The statutory net profit for the Merged Group includes fair value adjustment gains and losses, incentive amortisation and rent straight-line adjustments and other non-FFO adjustments recorded in the DEXUS financial statements at 31 December 2015. The pro forma statutory net profit does not include the impact of any further adjustments to these items for the six months ended 30 June 2016.

	Merged Group \$m
Underlying FFO	709
Adjustment to exclude IOF FFO prior to the Implementation Date	(149)
Adjustment to reflect cost synergies and incremental borrowing costs from the Implementation Date	10
One-off transaction costs	(75)
Non-cash transaction adjustments to deferred borrowing costs	1
Trading Profits (net of tax)	63
Net fair value gain of investment properties	534
Net fair value loss of derivatives and interest bearing liabilities	(10)
Incentive amortisation and rent straight-line	(46)
Other <sup>a</sup>	(4)
Pro forma statutory net profit	1,033

a. Comprises non-FFO deferred tax benefits and other unrealised or one-off items recorded in the DEXUS Financial Statements at 31 December 2015.

# 5

## ADDITIONAL INFORMATION

### 5.1 Consents

The following persons have given, and have not, before the date of issue of this Supplementary Explanatory Memorandum, withdrawn their consent to be named in this Supplementary Explanatory Memorandum in the form and context in which they are named:

1. DEXUS RE and the Bidder;
2. KPMG Corporate Finance as the Independent Expert;
3. PwCS as the Investigating Accountant;
4. Greenwoods & Herbert Smith Freehills Pty Limited in relation to the Taxation Report;
5. Link Market Services Limited as IOF's security registrar;
6. Macquarie Capital (Australia) Limited and Fort Street Advisers Pty Limited respectively as IOF's financial advisers; and
7. Herbert Smith Freehills as IOF's legal adviser.

DEXUS RE has given, and has not, before the date of issue of this Supplementary Explanatory Memorandum, withdrawn its written consent to the inclusion of the DEXUS Information or to the inclusion of the Revised Merged Group Financial Information, and the references to that information in the form and context in which it is included in this Supplementary Explanatory Memorandum, except to the extent that ILFML has provided the information concerning IOF, for which IOF is responsible.

KPMG Corporate Finance as Independent Expert has given, and has not, before the date of issue of this Supplementary Explanatory Memorandum, withdrawn its written consent to the inclusion of the Supplementary Independent Expert's Report in Attachment 1 of this Supplementary Explanatory Memorandum and references to the Supplementary Independent Expert's Report in the form and context in which they are included in this Supplementary Explanatory Memorandum.

PwCS as Investigating Accountant has given, and has not, before the date of issue of this Supplementary Explanatory Memorandum, withdrawn its written consent to the inclusion of the Investigating Accountant's Letter in Attachment 2 and references to that report in the form and context in which they are included in this Supplementary Explanatory Memorandum.

Greenwoods & Herbert Smith Freehills Pty Limited has prepared the taxation letter and has given, and has not, before the date of issue of this Supplementary Explanatory Memorandum, withdrawn its written consent to the inclusion of that letter in Attachment 3 of this Supplementary Explanatory Memorandum and references to that report in the form and context in which they are included in this Supplementary Explanatory Memorandum.

Other than as specifically outlined above, each party referred to in this Section 5.1 of this Supplementary Explanatory Memorandum has not caused or authorised the issue of this Supplementary Explanatory Memorandum and does not make or purport to make any statement in this Supplementary Explanatory Memorandum or any statement on which a statement in this Supplementary Explanatory Memorandum is based and takes no responsibility for any part of this Supplementary Explanatory Memorandum other than any reference to its name.

### 5.2 Supplementary information

To the extent required by the Listing Rules, the Corporations Act or any other applicable law, ILFML will issue a second supplementary document to the Explanatory Memorandum if it becomes aware of any of the following between the date of this Supplementary Explanatory Memorandum and the date of the Meeting:

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

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

- e. placing an advertisement in a prominently published newspaper that is circulated in Australia;
- f. posting the supplementary document on IOF's website;
- g. making an announcement to ASX; or
- h. issuing a supplementary document.

### **5.3 No other information**

Other than as contained in the Explanatory Memorandum and this Supplementary Explanatory Memorandum, there is no information within the knowledge of any member of the ILFML Board material to the making of a decision in relation to the Proposal to be voted on by IOF Unitholders, and that has not been previously disclosed to IOF Unitholders.

# 6

## GLOSSARY AND INTERPRETATION

### 6.1 Definitions

In this Supplementary Explanatory Memorandum unless the context otherwise appears, defined terms have the meaning given to them in the Explanatory Memorandum and the following terms have the meanings shown below:

Term	Meaning
<b>DEXUS Information</b>	the information provided by DEXUS RE for inclusion in this Supplementary Explanatory Memorandum including statements of intention or belief attributed to DEXUS RE.
<b>Effective Date</b>	the date on which the Proposal becomes Effective (currently expected to be 20 April 2016).
<b>Election Date</b>	the last date on which IOF Unitholders can make a valid election in accordance with the Explanatory Memorandum and the Election Form, being a date which is 5 Business days after the Effective Date or such other date as ILFML and DEXUS RE agree in writing (currently expected to be 28 April 2016).
<b>ICPF Group</b>	the group of Entities comprising ICPF and ICPF Holdings and each of their Controlled Entities (which for this purpose includes a reference to an Entity that is a controlled entity of IWFML by reason of the fact that IWFML is the responsible entity of ICPF).
<b>ICPF Holdco</b>	ICPF Holdco Pty Ltd (ACN 610 994 815).
<b>ICPF Holdings</b>	ICPF Holdings Limited (ACN 610 989 805).
<b>Implementation Date</b>	the date that the Proposal is implemented, being the fifth Business Day following the Record Date or such other date as ILFML and DEXUS RE agree in writing (currently expected to be 6 May 2016).
<b>Investa Office Management Platform</b>	IOMH (being the owner of IOM, who is the owner of all of the shares in ILFML) and the business operated by it and its subsidiaries of executing the strategy of the IOF Group.
<b>Investigating Accountant Letter</b>	the letter from the Investigating Accountant at Attachment 2 to this Supplementary Explanatory Memorandum.
<b>IOM Document</b>	has the meaning given in Section 3.3 of this Supplementary Explanatory Memorandum.
<b>IOMH</b>	Investa Office Management Holdings Pty Limited (ACN 126 219 903).
<b>Platform Sale</b>	the sale by Sundown of the Investa Office Management Platform to ICPF on the terms of the Platform Sale Agreement.
<b>Platform Sale Agreement</b>	the agreement in relation to the Platform Sale dated 1 March 2016 between ICPF Holdco and Sundown.
<b>Pro Forma Financial Information</b>	has the meaning given to that term in the Explanatory Memorandum and includes the amended pro forma financial information included in Section 4 of this Supplementary Explanatory Memorandum.
<b>PSP</b>	Post Sale Portfolio Issuer Pty Limited (ACN 127 753 048).
<b>Record Date</b>	5.00pm on the sixth Business Day following the Effective Date, or such other date as ILFML and DEXUS RE agree in writing (currently expected to be 29 April 2016).

<b>Term</b>	<b>Meaning</b>
<b>Revised Merged Group Financial Information</b>	the information provided by DEXUS RE for inclusion in this Supplementary Explanatory Memorandum, being the information set out in Section 4 of this Supplementary Explanatory Memorandum other than any information with ILFML has provided concerning IOF or that is included in, or was used in the preparation of the Revised Merged Group Financial Information, including the Pro Forma Financial Information (including in any assumptions) for which IOF is responsible.
<b>Revised Proposal</b>	comprises the Proposal and the Special Distribution.
<b>Second Judicial Advice Date</b>	the date on which the Second Judicial Advice is obtained (currently expected to be 19 April 2016).
<b>Second Payment</b>	has the meaning given in Section 3.2 of this Supplementary Explanatory Memorandum.
<b>Second Payment Date</b>	has the meaning given in Section 3.2 of this Supplementary Explanatory Memorandum.
<b>Special Distribution</b>	the special distribution to be paid by IOF to IOF Unitholders on the Implementation Date in respect of IOF Units on the IOF Register on the Record Date of 7 cents in cash for each IOF Unit, conditional on the Proposal becoming Effective.
<b>Sundown</b>	Sundown Holdings B.V.
<b>Supplementary Explanatory Memorandum</b>	this supplementary explanatory memorandum, including attachments to it.
<b>Supplementary Independent Expert's Report</b>	the report from the Independent Expert at Attachment 1 to this Supplementary Explanatory Memorandum.

## 6.2 Interpretation

In this Supplementary Explanatory Memorandum, unless the context otherwise appears:

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



# Attachment 1

**SUPPLEMENTARY INDEPENDENT  
EXPERT'S REPORT**



**KPMG Corporate Finance**

A division of KPMG Financial Advisory Services  
(Australia) Pty Ltd  
Australian Financial Services Licence No. 246901  
10 Shelley Street  
Sydney NSW 2000

P O Box H67  
Australia Square 1215  
Australia

ABN: 43 007 363 215  
Telephone: +61 2 9335 7000  
Facsimile: +61 2 9335 7001  
DX: 1056 Sydney  
www.kpmg.com.au

The Directors  
Investa Listed Funds Management Limited as  
Responsible Entity for Investa Office Fund  
Level 6, Deutsche Bank Place  
126 Phillip Street  
Sydney NSW 2000

31 March 2016

Dear Directors

**PART ONE - SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT**

**1 Introduction**

On 7 December 2015, Investa Listed Funds Management Limited (ILFML), as responsible entity of the Investa Office Fund (IOF or the Fund), announced that it had entered into a Process Deed with DEXUS Funds Management Limited (DEXUS RE), as responsible entity of DEXUS Office Trust, DEXUS Diversified Trust, DEXUS Industrial Trust and DEXUS Operations Trust (collectively DEXUS) in relation to an indicative, conditional and non-binding proposal (the Proposal) for the acquisition of all the units in IOF (IOF Units).

Subsequently, on 18 December 2015, IOF announced that it had entered into an Implementation Agreement (IA) with DEXUS RE in relation to the Proposal.

In relation to the Proposal, KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepared an Independent Expert's Report dated 8 March 2016 (IER) which concluded that, in our opinion, the Proposal is fair and reasonable to, and in the best interests of IOF Unitholders in the absence of a superior proposal.

On 30 March 2016, IOF announced that should the Proposal become effective, IOF Unitholders will receive an additional 7 cents cash distribution per IOF Unit by way of a special distribution (Special Distribution) to be paid by IOF on the Implementation Date (Revised Proposal). The Special Distribution was consented to by DEXUS in accordance with the IA.

As a consequence of the Special Distribution, the Independent Directors of ILFML have requested KPMG Corporate Finance to consider whether our opinion in relation to the Proposal has changed. In preparing our Supplementary IER, we have focussed our discussions on the principal matters which have changed since our IER. As such, we have not included all matters

KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG.

KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



covered in that report and, therefore, our Supplementary IER should be read in conjunction with the IER.

Under the terms of the Proposal, the holders of IOF Units (IOF Unitholders), on or before the Election Date<sup>1</sup> may elect to receive in exchange for their respective holdings of IOF Units held on the Record Date<sup>2</sup>, one of the following consideration alternatives:

- Standard Consideration: \$0.8229 cash payment and 0.424 DEXUS securities (Australian Stock Exchange (ASX) listed stapled securities in DEXUS) (DEXUS Securities) per IOF Unit
- Maximum Cash Consideration: \$4.1147 cash per IOF Unit subject to any scale-back on a pro-rata basis to ensure the maximum cash consideration paid is capped at approximately \$505 million
- Maximum Scrip Consideration: 0.53 (rounded to two decimal places) DEXUS Securities per IOF Unit subject to any scale-back to ensure the maximum number of DEXUS Securities issued is capped at approximately 260.4 million securities.

The default option for IOF Unitholders who do not make an election or make an invalid election, is the receipt of the Standard Consideration.

Ineligible Overseas Unitholders<sup>3</sup> may make an election on the same terms, as other IOF Unitholders. However, new DEXUS Securities will not be issued to Ineligible Overseas Unitholders. Instead DEXUS RE will procure that those new DEXUS Securities to which Ineligible Overseas Unitholders may otherwise have been entitled to, are sold pursuant to a Sale Facility<sup>4</sup> with the cash proceeds remitted. Minimum Holders<sup>5</sup> may also elect to participate in the Sale Facility.

IOF or the Fund comprises the stapled entities Armstrong Jones Office Fund (AJO Fund) and Prime Credit Property Trust (PCP Trust). The responsible entity of IOF is ILFML, a wholly owned subsidiary of Investa Office Management Pty Ltd (IOM), which is the manager of IOF. On 22 February 2016, Investa Wholesale Funds Management Limited (IWFML), announced it had entered into a binding agreement to purchase all of the shares in Investa Office Management Holdings Pty Ltd (IOMH), the owner of IOM, which was ultimately controlled by funds associated with Morgan Stanley Real Estate Investing (Morgan Stanley). The sale completed on 4 March 2016.

---

<sup>1</sup> Election Date refers to 5.00pm (Sydney time) on 28 April 2016

<sup>2</sup> Record Date refers to 5.00pm (Sydney time) on 29 April 2016

<sup>3</sup> Ineligible Overseas Unitholders are unitholders on the IOF Register on the Record Date whose address is not shown as an address in Australia or New Zealand

<sup>4</sup> Sale Facility as defined in the Section 5.3 of the Explanatory Memorandum

<sup>5</sup> Minimum Holders are those IOF Unitholders who are entitled to receive a parcel of DEXUS Securities under the Proposal with a value of less than \$500



Implementation of the Proposal will result in IOF becoming part of DEXUS (the Merged Group). The ownership interests held by IOF Unitholders in the Merged Group will be approximately 21.2%. The Proposal is described more fully in Section 5 of the Explanatory Memorandum.

As a result of the announcement of the Special Distribution, the Meeting<sup>6</sup> to consider and vote on the Proposal has been adjourned and will now be held on 15 April 2016. Each Eligible IOF Unitholder<sup>7</sup> on the Voting Record Date<sup>8</sup> will be entitled to attend and vote on the resolutions to implement the Proposal.

Further information regarding KPMG Corporate Finance, as it pertains to the preparation of this report, is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

## 2 Opinion

In our opinion, we consider the Revised Proposal **continues to be fair and reasonable, and in the best interests of IOF Unitholders in the absence of a superior proposal.**

In arriving at this opinion, we have assessed whether the Revised Proposal continues to be:

- *fair*, by comparing our assessed value of the Standard Consideration and Maximum Scrip Consideration (based on the value of a DEXUS Security on a minority interest basis) and the Maximum Cash Consideration, including the Special Distribution, to our assessed value of an IOF Unit on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111
- *reasonable*, by assessing the implications of the Revised Proposal for IOF Unitholders, the alternatives to the Revised Proposal which are available to IOF and IOF Unitholders, and the consequences for IOF Unitholders of not approving the Revised Proposal.

In our assessment, the Revised Proposal remains fair and reasonable. As such we have, consistent with RG 111, concluded that the Revised Proposal is in the best interests of IOF Unitholders, in the absence of a superior proposal.

In forming our view as to the value of IOF and DEXUS in our IER, we considered a series of factors including their earnings profile, size and market position, growth prospects and operating structure. As required by RG 111, we have valued IOF on a controlling interest basis and DEXUS on a minority interest basis. This is required because DEXUS is obtaining control of IOF, and IOF Unitholders are receiving consideration, under the Standard Consideration, the Maximum Scrip Consideration and the Maximum Cash Consideration (to the extent this is

---

<sup>6</sup> The extraordinary general meeting of IOF Unitholders convened by the Notice of Meeting in the Explanatory Memorandum

<sup>7</sup> Eligible IOF Unitholder is a Proposal Participant who is not an Ineligible Overseas Unitholder

<sup>8</sup> The Voting Record Date refers to 7.00pm (Sydney time) on Wednesday 13 April 2016



subject to the scale back mechanism), in the form of securities in DEXUS, which represent a minority interest.

In our IER, our valuation of IOF was prepared on a first principles basis, as if the Proposal had not been made, our assessment of the value of a security in DEXUS was determined having regard to the trading value of a DEXUS Security, which reflects the nature of the consideration IOF Unitholders will receive. KPMG Corporate Finance has considered whether there are any matters arising since completion of our IER on 8 March 2016 that would cause us to change our opinion in relation to the Revised Proposal. In particular, we have considered whether there are any substantive factors that would:

- increase the assessed value of IOF Units, or
- reduce the assessed value of DEXUS Securities.

Our analysis indicates that there is no substantive basis for adjusting our prior value ranges. As such, our value range for the Standard Consideration (including the Special Distribution) is \$3.97 to \$4.16 and for the Maximum Scrip Consideration (including the Special Distribution) is \$3.91 to \$4.15. This compares to our assessed value range for an IOF Unit of \$3.92 to \$4.13. As the value attributed to the Standard Consideration, the Maximum Scrip Consideration and the value of the Maximum Cash Consideration (including the Special Distribution) (\$4.18) overlaps or exceeds our assessed value range for an IOF Unit, we consider the Revised Proposal remains fair. In forming our opinion, we have made a series of judgements as to future events based on the facts which we currently know.

It is inevitable that circumstances will change in the future given the length of time between completion of this report, and the following:

- the voting by IOF Unitholders
- receipt of all conditions precedent, and
- the Revised Proposal ultimately being implemented.

Further, the ultimate outcome will be influenced by the additional complexity of DEXUS RE exercising its legal and equitable rights, as the ultimate owner of IOF on implementation of the Revised Proposal to achieve integration of IOF into the Merged Group and transition the management of IOF to DEXUS given that it is unlikely that DEXUS RE will make any facilitation payment.

Any change in circumstances may impact on the trading price of a DEXUS Security at the time the Standard Consideration and Maximum Scrip Consideration are ultimately paid to IOF Unitholders.

Our analysis of the fairness of the Revised Proposal is detailed further in Section 2.1 and Appendix 2 below and our analysis of those factors where changes have occurred in relation to the reasonableness of the Revised Proposal is detailed further in Section 2.2 below.



## 2.1 The Revised Proposal Remains Fair

We continue to value an IOF Unit in the range of \$3.92 to \$4.13 for the reasons set out in Appendix 2 of this letter. This estimate is based on IOF's audited NTA as at 31 December 2015 of \$2,443.5 million (\$3.98 per IOF Unit). Various adjustments have been made to derive an adjusted NTA and a premium to reflect the controlling interest basis has been assumed as summarised below. Our valuation is set out more fully in Section 11 of our IER and Appendix 2 of this report and is summarised below.

**Table 1: Valuation of IOF**

\$ million unless otherwise stated	IER section	
	reference	Low High
<b>Audited NTA at 31 December 2015</b>	11.3	<b>2,443.5 2,443.5</b>
Less: Capitalised corporate overheads (net of savings)	11.4	(32.0) (24.0)
Less: Capitalised borrowing costs	11.5	(3.5) (3.5)
<b>Adjusted NTA</b>		<b>2,408.0 2,416.0</b>
IOF Units on issue (million)		614.0 614.0
<b>Adjusted NTA per IOF Unit (excluding premium)</b>		<b>\$3.92 \$3.93</b>
Premium to adjusted NTA	11.6	- 5.0%
<b>Adjusted NTA per IOF Unit (including premium)</b>		<b>\$3.92 \$4.13</b>

Source: KPMG Corporate Finance analysis

Note: Table may not cast due to rounding

Under the Revised Proposal, IOF Unitholders will have the option to receive for each IOF Unit held on the Record Date either:

- Standard Consideration: \$0.8229 cash and 0.424 DEXUS Securities
- Maximum Cash Consideration: \$4.1147 cash, subject to any scale-back, to ensure the Maximum Cash Consideration paid is approximately \$505 million
- Maximum Scrip Consideration: 0.53 (rounded to two decimal places) DEXUS Securities, subject to any scale-back, to ensure the maximum number of DEXUS Securities issued is approximately 260.4 million.

In addition, IOF Unitholders will be entitled to a Special Distribution of 7.0 cents per unit payable by IOF if the Revised Proposal becomes effective.

Based on a value range for DEXUS Securities (on a minority interest basis) of \$7.25 to \$7.70 (refer to Section 10 of our IER and Appendix 2 of this letter), and including the Special Distribution, we have attributed a value to the Standard Consideration in the range of \$3.97 to \$4.16 per IOF Unit and a value to the Maximum Scrip Consideration of \$3.91 to \$4.15 per IOF Unit as summarised below.



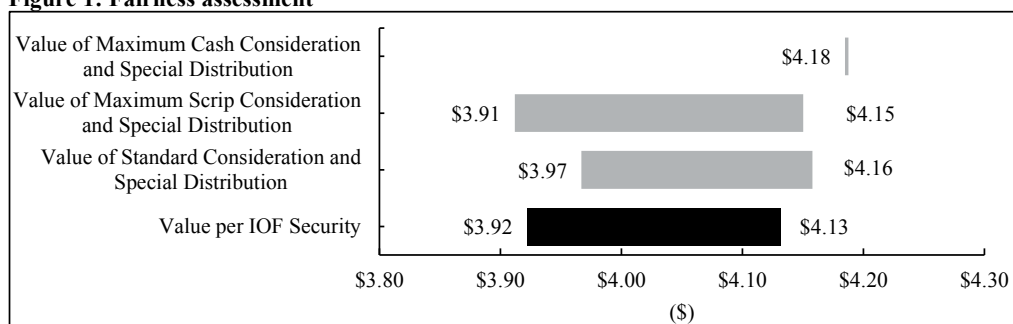
**Table 2: Valuation of the Consideration**

Consideration AS unless otherwise stated	Standard Consideration		Maximum Cash Consideration	Maximum Scrip Consideration	
	Low	High		Low	High
Value per DEXUS Security	7.25	7.70	-	7.25	7.70
Exchange ratio	0.4240	0.4240	-	0.5299	0.5299
<b>Value of scrip component</b>	<b>3.07</b>	<b>3.26</b>	-	<b>3.84</b>	<b>4.08</b>
Add: cash component	0.82	0.82	4.11	-	-
<b>Value of consideration per IOF Unit</b>	<b>3.90</b>	<b>4.09</b>	<b>4.11</b>	<b>3.84</b>	<b>4.08</b>
Add: Special Distribution	0.07	0.07	0.07	0.07	0.07
<b>Total cash proceeds per IOF Unit</b>	<b>3.97</b>	<b>4.16</b>	<b>4.18</b>	<b>3.91</b>	<b>4.15</b>

Source: KPMG Corporate Finance analysis

A comparison of our assessed value per IOF Unit, on a control basis, to the value attributed to the Standard Consideration, Maximum Scrip Consideration and Maximum Cash Consideration (including the Special Distribution) is illustrated below.

**Figure 1: Fairness assessment**



Source: KPMG Corporate Finance analysis

According to RG 111, the Revised Proposal should be considered fair if the consideration offered to IOF Unitholders is equal to or higher than our assessed value of an IOF Unit. As the value attributed to the Standard Consideration, Maximum Scrip Consideration and Maximum Cash Consideration (including the Special Distribution) either falls within or exceeds the low point of our assessed value range for an IOF unit, **we consider the Revised Proposal remains fair.**

However, the value of the Standard Consideration, Maximum Scrip Consideration and the Maximum Cash Consideration (to the extent this is subject to the scale back mechanism), under the Revised Proposal will vary with movements in the DEXUS Security price. Accordingly, until the DEXUS Securities are issued under the Revised Proposal, IOF Unitholders who elect to receive the Standard Consideration or Maximum Scrip Consideration, or are subject to the scale-back mechanism, are exposed to changes in overall equity market conditions and company specific events that may affect the DEXUS Security price. The table below illustrates the sensitivity of the implied value of the Standard Consideration and Maximum Scrip Consideration (including the Special Distribution) to changes in the DEXUS Security price.

©2016 KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International



**Table 3: Sensitivity of the implied value of the consideration**

<b>A\$ unless otherwise stated</b>											
<b>Standard Consideration</b>											
DEXUS Security price	7.00	7.10	7.20	7.30	7.40	7.50	7.60	7.70	7.80	7.90	8.00
Implied value of consideration and Special Distribution	3.86	3.90	3.95	3.99	4.03	4.07	4.12	4.16	4.20	4.24	4.28
<b>Maximum Scrip Consideration</b>											
DEXUS Security price	7.00	7.10	7.20	7.30	7.40	7.50	7.60	7.70	7.80	7.90	8.00
Implied value of consideration and Special Distribution	3.78	3.83	3.89	3.94	3.99	4.04	4.10	4.15	4.20	4.26	4.31

Source: KPMG Corporate Finance analysis

We note that the DEXUS Security price has increased strongly throughout March 2016, from a close of \$7.58 on 7 March 2016 (the day immediately prior to our IER being finalised) to close at \$7.90 on 24 March 2016 (a 4.2% increase). This is above the high end of our value range of \$7.70.

However, in the event that short term volatility in overall equity market conditions drives the implied value of the Standard Consideration and Maximum Scrip Consideration (including the Special Distribution) below our assessed value range per IOF Unit, we would expect the Revised Proposal to remain fair if it is reasonable to believe that trading in IOF Units in the absence of a takeover offer would have been similarly affected by the changes in overall equity market conditions. Further, short term volatility in trading prices would also need to be assessed against the benefits and prospects of the Merged Group, as IOF Unitholders who receive and retain DEXUS Securities will be able to participate in the benefits associated with the synergies and earnings accretion expected from a combination of IOF and DEXUS (as further discussed in the reasonableness section of this report). However, the timing and extent of these benefits will largely depend on the ability of the management of DEXUS to successfully integrate IOF in a timely manner.

## 2.2 **The Revised Proposal Remains Reasonable**

In accordance with RG 111, an offer is reasonable if it fair. As we consider the Revised Proposal continues to be fair, it also remains reasonable. However, irrespective of the statutory obligation to conclude the Revised Proposal is reasonable, in our IER we considered a range of factors which, on balance, support a reasonableness conclusion.

The principal factors supporting this reasonableness conclusion remain consistent with those which were outlined in our IER. We have, however, updated the below factors due to either the emergence of further information since the date of our IER or as a result of the Revised Proposal.

### *The consideration (including the Special Distribution) under the Revised Proposal represents a premium to the trading price of IOF pre speculation of the Proposal*

The mid-point of our assessed value range of the Standard Consideration (including the Special Distribution) represents a premium to the IOF volume weighted average unit prices one day prior (6.59%), one week prior (5.23%) and one month prior (5.37%) to 4 December 2015, being the last day prior to the Proposal being announced.

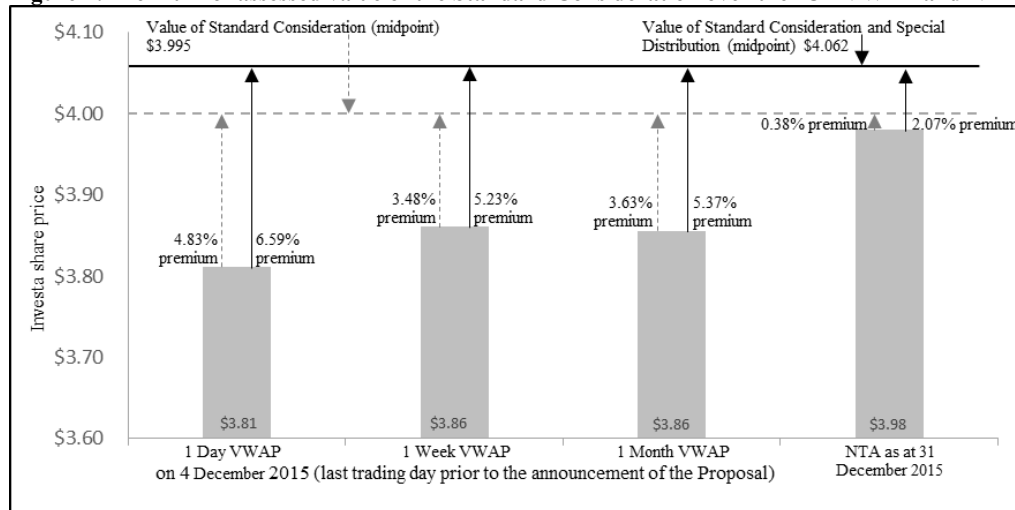


The premiums are slightly higher when assessed based on the Maximum Cash Consideration, as the consideration under the Maximum Cash Consideration (\$4.18) is higher than the mid-point of our assessed value range of the Standard Consideration (\$4.062).

The premiums are slightly lower when assessed based on the Maximum Scrip Consideration, as the mid-point of our assessed value range under the Maximum Scrip Consideration (\$4.031) is lower than the mid-point of our assessed value range of the Standard Consideration (\$4.062).

We have also considered the premium to IOF's 31 December 2015 NTA of \$3.98. This analysis is illustrated below.

**Figure 2: Premium of assessed value of the Standard Consideration over the IOF VWAP and NTA**



Source: S&P Capital IQ; KPMG Corporate Finance analysis

Note: The premiums illustrated above have been calculated based on IOF's volume weighted average unit prices prior to last day prior to the Proposal being announced, 4 December 2015

With regard to our assessment of the premium implied by the Standard Consideration, we note:

- the premiums have increased by approximately 1.7% to 1.8% as a result of the Special Distribution
- we continue to believe the premiums appear reasonable, and
- as stated previously unlike the premium implied by the Maximum Cash Consideration, the value of the Standard Consideration is not certain and the actual premium received upon issuance of the New DEXUS Securities under the Revised Proposal could therefore exceed, or be less than, the premium implied by our assessed value range of the Standard Consideration.



*Holding DEXUS Securities will allow IOF Unitholders to share in earnings and distribution accretion expected to be generated by the Merged Group*

A key benefit of the proposed acquisition of IOF by DEXUS is the potential to realise earnings and distribution accretion.

The extent of accretion for IOF Unitholders will vary depending on which form of consideration they elect and the extent of the scale-back, whether asset sales occur as a result of co-investors exercising their pre-emptive rights, and the DEXUS Security price.

Set out below is the impact under various scenarios which illustrates the potential earnings and distribution accretion.

**Table 4: Merged Group accretion analysis**

	IOF	DEXUS	Merged Group (cents)	Value of DEXUS consideration per IOF Unit					
				\$7.25			\$7.70		
				IOF equivalent <sup>2</sup>	Absolute change	Change %	IOF equivalent <sup>2</sup>	Absolute change	Change %
<b>Excluding reinvestment of Special Distribution</b>									
<i>Standard Consideration (without asset sales)</i>									
FY16 FFO <sup>6</sup> per security (including trading profits)	28.4¢	63.1¢	62.8¢	33.8¢	5.4¢	19.0%	33.4¢	5.0¢	17.6%
FY16 underlying FFO per security (excluding trading)	28.4¢	56.5¢	57.7¢	31.0¢	2.6¢	9.3%	30.6¢	2.2¢	7.9%
FY16 distribution per security <sup>3</sup>	19.6¢	43.5¢	43.4¢	23.3¢	3.7¢	18.9%	23.0¢	3.4¢	17.4%
NTA per security at 31 December 2015	\$3.98	\$7.25	\$7.20	\$3.87	\$(0.11)	(2.7%)	\$3.82	\$(0.16)	(3.9%)
<i>Maximum Scrip Consideration (without asset sales)</i>									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	62.8¢	33.3¢	4.9¢	17.4%	33.3¢	4.9¢	17.4%
FY16 underlying FFO per security (excluding trading)	28.4¢	56.5¢	57.7¢	30.6¢	2.2¢	7.7%	30.6¢	2.2¢	7.7%
FY16 distribution per security <sup>3</sup>	19.6¢	43.5¢	43.4¢	23.0¢	3.4¢	17.2%	23.0¢	3.4¢	17.2%
NTA per security at 31 December 2015	\$3.98	\$7.25	\$7.20	\$3.82	\$(0.16)	(4.1%)	\$3.82	\$(0.16)	(4.1%)
<i>Standard Consideration (with asset sales<sup>4</sup>)</i>									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	61.8¢	33.2¢	4.9¢	17.1%	32.8¢	4.5¢	15.7%
FY16 underlying FFO per security (excluding trading)	28.4¢	56.5¢	56.7¢	30.5¢	2.1¢	7.4%	30.1¢	1.7¢	6.1%
FY16 distribution per security <sup>3</sup>	19.6¢	43.5¢	42.7¢	22.9¢	3.3¢	17.0%	22.7¢	3.1¢	15.6%
NTA per security at 31 December 2015	\$3.98	\$7.25	\$7.20	\$3.87	\$(0.11)	(2.7%)	\$3.82	\$(0.16)	(3.9%)
<i>Maximum Scrip Consideration (with asset sales<sup>4</sup>)</i>									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	61.8¢	32.8¢	4.4¢	15.5%	32.8¢	4.4¢	15.5%
FY16 underlying FFO per security (excluding trading)	28.4¢	56.5¢	56.7¢	30.0¢	1.7¢	5.9%	30.0¢	1.7¢	5.9%
FY16 distribution per security <sup>3</sup>	19.6¢	43.5¢	42.7¢	22.6¢	3.0¢	15.4%	22.6¢	3.0¢	15.4%
NTA per security at 31 December 2015	\$3.98	\$7.25	\$7.20	\$3.82	\$(0.16)	(4.1%)	\$3.82	\$(0.16)	(4.1%)
<b>Including reinvestment of Special Distribution<sup>5</sup></b>									
<i>Maximum Scrip Consideration (without asset sales)</i>									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	62.8¢	33.9¢	5.5¢	19.5%	33.9¢	5.5¢	19.4%
FY16 underlying FFO per security (excluding trading)	28.4¢	56.5¢	57.7¢	31.1¢	2.8¢	9.7%	31.1¢	2.7¢	9.6%
FY16 distribution per security <sup>3</sup>	19.6¢	43.5¢	43.4¢	23.4¢	3.8¢	19.4%	23.4¢	3.8¢	19.3%
NTA per security at 31 December 2015	\$3.98	\$7.25	\$7.20	\$3.89	\$(0.09)	(2.4%)	\$3.88	\$(0.10)	(2.5%)

Note 1: Assumes Revised Proposal is implemented on 1 July 2015

Note 2: IOF equivalent under the Standard Consideration is based on IOF Unitholders receiving between 0.5309 and 0.5375 DEXUS Securities per IOF Unit, calculated as the sum of the scrip component of the consideration of 0.4240 DEXUS Securities, and the \$0.8229 cash component of the consideration, reinvested in DEXUS Securities at a price in the range of \$7.25 to \$7.70 based on KPMG Corporate Finance's range of values for DEXUS Securities. IOF equivalent under the Maximum Scrip Consideration is based on IOF Unitholders receiving 0.53 (rounded to 2 decimal places) DEXUS Securities for every IOF Unit.

Note 3: Assumes Merged Group distribution payout ratio of 69% of Property Council FFO based on DEXUS' payout ratio for FY14, FY15 and the six months ended 31 December 2015

Note 4: Assumes 10-20 Bond Street, Sydney and 388 George Street, Sydney are sold at book value, (ie no trading profits are generated), and the proceeds are used to repay debt

Note 5: Consideration is based on IOF Unitholders receiving 0.53 (rounded to 2 decimal places) DEXUS Securities for every IOF Unit and assumes that Special Distribution of \$0.07 is reinvested in DEXUS Securities, at a price in the range of \$7.25 to \$7.70.

Note 6: Property Council FFO consistent with funds from operations presented using principles of Property Council of Australia White Paper released in May 2013

In our IER, we noted that implementation of the Proposal and realisation of synergies was expected to generate pro forma FFO and distribution accretion for IOF Unitholders who received new DEXUS Securities, and dilution of NTA per Unit. Relative to the Proposal, the Revised Proposal will result in:

- marginally lower FFO and distribution accretion (less than 0.05 cents), and
- marginally higher NTA dilution (approximately 1 cent).



Assuming the Special Distribution is reinvested in DEXUS Securities, the Revised Proposal is materially more accretive to FFO per IOF equivalent unit (around 6 cents) and materially less dilutive to NTA per IOF equivalent unit (around 7 cents) than the Proposal.

We note that the pro forma financial information assumes that the Revised Proposal is implemented on 1 July 2015 and therefore, actual FFO and distribution per security in the 2016 financial year will be less than presented. Further details of the Merged Group accretion analysis is detailed in Section 9.6 of the IER and Section 4 of the Supplementary Explanatory Memorandum.

#### *A decrease in Net Tangible Asset (NTA) per unit*

If the Revised Proposal becomes effective, there will be a reduction in NTA per IOF Unit from \$3.98 as at 31 December 2015 to an equivalent of \$3.82 to \$3.87 per IOF Unit based on the pro forma NTA as at 31 December 2015 for the Merged Group under the Standard Consideration. This is \$0.01 lower than in our prior IER as a result of \$24 million additional borrowings required to fund the difference between the Special Distribution (\$43 million) and the reduction in transaction costs (\$19 million).

The main factors driving this reduction in NTA are that the value of the operating platform attributed to DEXUS' corporate activities is not recognised as an asset on the balance sheet of the Merged Group, the payment of the Special Distribution and transaction costs associated with implementing the Revised Proposal. The transaction costs represent approximately \$0.06 per DEXUS Security.

As stated in our IER, we do not see the decrease in NTA as having a material impact on DEXUS' Security price as:

- DEXUS, which does not hold these intangible assets associated with the corporate activities on its existing balance sheet, trades at a premium to NTA. This premium was 6.2% at the close of trade on the day prior to the announcement of the Proposal (4 December 2015) relative to the pro forma 30 June 2015 NTA<sup>9</sup>
- the trading in DEXUS Securities is primarily driven by distributions per security and growth prospects, neither of which are related to DEXUS' NTA per security.

#### *The Merged Group will have higher gearing than IOF*

Implementation of the Revised Proposal will result in DEXUS' pro forma gearing<sup>10</sup> at 31 December 2015 increasing from 29.5% to 33.7%. Gearing has increased by 0.2% since our prior IER primarily as a result of the Special Distribution. IOF had gearing of 28.5% as at 31

---

<sup>9</sup> Pro forma NTA for DEXUS of \$7.20 represents the NTA as at 30 June 2015, adjusted to reflect valuation updates, transactions and share buybacks since that date, as contained in the DEXUS presentation, "DEXUS and IOF enter into Implementation Agreement presentation", dated 18 December 2015

<sup>10</sup> Gearing is calculated based on net debt divided by net assets plus net debt on a look-through basis

December 2015, and therefore the Merged Group will have a slightly higher gearing than IOF Unitholders' previous exposure. We continue to consider the increase in gearing is not a significant risk to IOF Unitholders for the following reasons:

- although it is an increase in gearing from an IOF Unitholder's perspective, it results in a gearing level for the Merged Group which is within industry levels and meets standard covenant measures
- the gearing is within DEXUS' target gearing range of 30% to 40%
- DEXUS currently has a superior credit rating to IOF. There is no indication that this credit rating will be adversely impacted post implementation of the Revised Proposal.

*Likelihood for a superior alternative proposal is low*

In assessing the merits of the Revised Proposal, we have considered the alternative options available to IOF Unitholders. There has been recent press speculation that a Mirvac Group (Mircac) led consortium comprising Mirvac, China Investment Corporation and The Blackstone Group L.P. may be proposing a competing offer for IOF. The IBC has confirmed that it has not received and is not aware of any competing proposal from a Mirvac led consortium or any other party.

Further, under the IA, subject to fiduciary carve outs, IOF is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals. IOF is also required to notify DEXUS (subject to fiduciary carve outs) should it become aware of any possible alternative proposal, including all material terms of such a proposal. Further, under certain circumstances associated with an alternative proposal IOF would be required to pay a reimbursement fee to DEXUS of \$23.52 million. Whilst the likelihood for a superior alternative proposal is impacted by these terms, the Directors of IOF would be required under their fiduciary duties to consider the merits of an alternative proposal should it arise.

*Risks within the DEXUS business*

On 29 March 2016, DEXUS RE announced that ILFML had obtained consents from the USPP and MTN holders in relation to the implementation of the Proposal and implementation of DEXUS' post implementation intentions (including removal of ILFML as responsible entity). Consequently, the risk that implementation of the Proposal will trigger an event of default has been removed.

### **2.3 Other considerations**

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these to impact our assessment of the reasonableness of the Revised Proposal, we consider it necessary to address these considerations in arriving at our opinion. On an exceptions basis to the factors raised in our IER, we note the following:

### *Taxation implications for IOF Unitholders*

Australian resident IOF Unitholders who hold their units on capital account will include in their assessable income the taxable component of the Special Distribution. Any tax deferred component of the Special Distribution will result in a reduction in cost base of the IOF Units. Details as to the tax consequences of the Special Distribution are included in Attachment 3 of the Supplementary Explanatory Memorandum.

General tax implications for IOF Unitholders in Australia in respect of the Proposal are outlined in detail in Section 13 of the Explanatory Memorandum.

Section 13 of the Explanatory Memorandum also sets out a general description of the Australian tax consequences of holding a DEXUS Security having regard to future disposals and the treatment of dividends.

We note that IOF Unitholders should consider their individual circumstances, review Section 13 of the Explanatory Memorandum and Attachment 3 of the Supplementary Explanatory Memorandum for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

### *One-off transaction costs*

IOF management has estimated total one-off transaction costs in relation to the Revised Proposal together with costs relating to dealing with the IOM document, takeovers panel and other court proceedings to be approximately \$21.5 million on a pre-tax basis, of which approximately \$4.6 million will have been paid, or committed, prior to the Meeting by IOF.

DEXUS will also incur total one-off transaction costs in relation to the Revised Proposal which management has estimated to be approximately \$75.0 million (inclusive of IOF costs). The one-off transaction costs associated with the Revised Proposal primarily relate to adviser, legal, accounting and expert fees, debt restructuring and other costs associated with the Revised Proposal.

## **2.4 Consequences if the Revised Proposal does not proceed**

In the event the Revised Proposal is not approved, the consequences remain substantially the same as outlined in the IER, except for:

- an increase in transaction costs incurred or committed to, prior the Meeting
- ICPF have indicated to IOF that IOF may have the opportunity to acquire a 50% interest in the management platform, through a joint ownership arrangement with the current owner of the IOM Platform (being a member of the ICPF Group). However, uncertainty exists as to the price and terms of this opportunity and there is no guarantee that any joint ownership arrangement will be agreed between ILFML and ICPF Holdco or that Morgan Stanley will give its approval to any such arrangement



- whilst a new, mainly independent board will be established to oversee operations and performance of the IOM Platform, there is no clarity at this point in time in relation to the members of this board. Further, the manager announced on 29 March 2016 that it has appointed James Spigelman to assess current and future corporate governance. Until this review is complete there is no certainty as to any potential changes that may arise.

### **3 Other matters**

In forming our opinion, we have considered the interests of IOF Unitholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual IOF Unitholders. It is not practical or possible to assess the implications of the Revised Proposal on individual IOF Unitholders as their financial circumstances are not known. The decision of IOF Unitholders as to whether or not to approve the Revised Proposal is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual IOF Unitholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual IOF Unitholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act 2001 (cth) (the Act) and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting IOF Unitholders in considering the Revised Proposal. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to an Australian financial year (i.e. the 12 months to 30 June) have been abbreviated to FY, and references to calendar years have been abbreviated to CY.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Supplementary Explanatory Memorandum to be sent to IOF Unitholders in relation to the Revised Proposal, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears in the Supplementary Explanatory Memorandum.

Our opinion is based solely on information available as at the date of this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in Section 6.3 of our IER.



The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin  
Authorised Representative

Sean Collins  
Authorised Representative





## Appendix 1 – KPMG Corporate Finance Disclosures

### *Qualifications*

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin and Sean Collins. Ian is an Associate of the Institute of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australia and holds a Master of Commerce from the University of New South Wales. Sean is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand, a Fellow of the Chartered Institute of Securities and Investments in the UK and holds a Bachelor of Commerce from the University of Queensland. Both Ian and Sean have a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

### *Disclaimers*

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Revised Proposal is in the best interests of IOF Unitholders. KPMG Corporate Finance expressly disclaims any liability to any IOF Unitholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Supplementary Explanatory Memorandum or any other document prepared in respect of the Revised Proposal. Accordingly, we take no responsibility for the content of the Supplementary Explanatory Memorandum as a whole or other documents prepared in respect of the Revised Proposal.

### *Independence*

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of IOF for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

### *Consent*

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Supplementary Explanatory Memorandum to be issued to IOF Unitholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

### *Declarations*

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.



## **Appendix 2 – Valuation Analysis**

We have considered whether there are any matters arising since our IER dated 8 March 2016 that would cause us to change our opinion in relation to the Revised Proposal. In particular, we have considered whether there are any substantive factors that would:

- increase the assessed value of IOF Units, or
- reduce the assessed value of DEXUS Securities.

### **Assessed value of IOF Units**

In relation to the assessed value of IOF Units since completion of our IER, we note the following as set out below.

#### *Investment Properties*

The audited NTA as at 31 December 2015 is based on book values for each of IOF's properties which reflect current valuations undertaken by independent valuers plus capital expenditure and payments for incentives and leasing fees (net of amortisation) since valuation date. All properties in the investment property portfolio were independently valued as at 30 November 2015, including 151 Clarence Street, Sydney (for which development was expected to commence in March 2016) but excluding 383 La Trobe Street, Melbourne (which is held for sale and reflects the expected net sale proceeds). KPMG Corporate Finance has relied on the independent valuations for the purposes of its report and did not undertake its own valuations of the properties.

Whilst only a short time has elapsed since 30 November 2015 (approximately four months) and notwithstanding the nature of the assets being valued (i.e. passive investments in office property assets for which there is no liquid market), we have considered whether there is likely to have been any material change in the market value of these assets since they were valued.

We have considered industry reports released since our IER was prepared. Consensus forecasts released by the Property Council of Australia in March 2016<sup>11</sup> indicate that:

- yields for prime office properties will generally remain flat over the next two years, and
- movements in vacancy rates over the year to January 2017 will be mixed, remaining flat in the Sydney CBD, increasing in the Melbourne, Brisbane and Perth CBDs and decreasing in Canberra.

#### *Other assets and liabilities*

The valuation of IOF in our IER was based on IOF's latest audited balance sheet, which was prepared as at 31 December 2015.

---

<sup>11</sup> Source: Property Council of Australia, "2016: Consensus Forecasts, Office", Autumn 2016.



The net balance (mark-to-market) of derivatives as at 31 December 2015 was an asset of \$107.3 million. This balance fluctuates over time with movements in the A\$/US\$ exchange rate and movements in interest rates. KPMG Corporate Finance regards the 31 December 2015 balance as a reasonable basis for the valuation under the Revised Proposal.

The balance of capitalised borrowing costs at 29 February 2016 was \$3.6 million (a \$0.1 million increase).

#### *Retained earnings*

KPMG Corporate Finance has not adjusted NTA for earnings generated since the IER was prepared since a majority of earnings are distributed to unitholders (IOF targets a distribution payout ratio of 90% to 100% of AFFO through the cycle). As the consideration under the Proposal is primarily scrip, IOF Unitholders will retain the benefit of those earnings noting that they will receive the full six month distribution from DEXUS. On the basis of prior distributions, this value represents less than \$0.03 per IOF Unit.

#### **Conclusion**

Having considered the information as set out above, there is no substantive reason to indicate that our value range for IOF should be higher than that reflected in our IER.

#### **Assessed value of DEXUS Securities**

The value range we assessed for DEXUS Securities in our IER reflected:

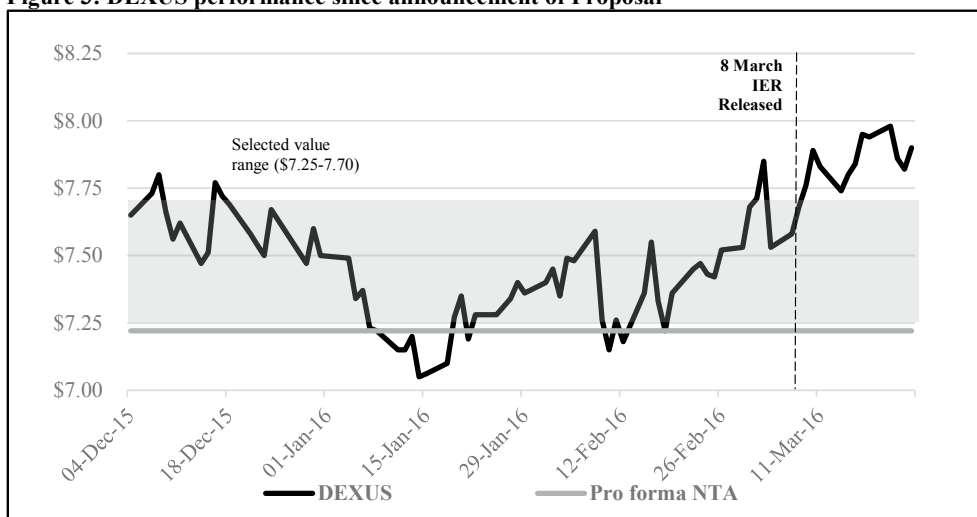
- trading in DEXUS Securities post the announcement of the Proposal
- performance of DEXUS Securities relative to the market
- liquidity and VWAP of DEXUS Securities
- publicly available information in relation to DEXUS and the Proposal
- broker analyst research and press commentary on DEXUS
- potential impact of the Proposal on DEXUS
- other factors which we considered relevant to assessing the value of DEXUS Securities.

In relation to the assessed value of DEXUS Securities since completion of our IER, we note the following as set out below.

#### *Recent trading in DEXUS Securities*

DEXUS Security price since 4 December 2015 (the last trading day prior to the announcement of the Proposal) is set out below.

**Figure 3: DEXUS performance since announcement of Proposal**



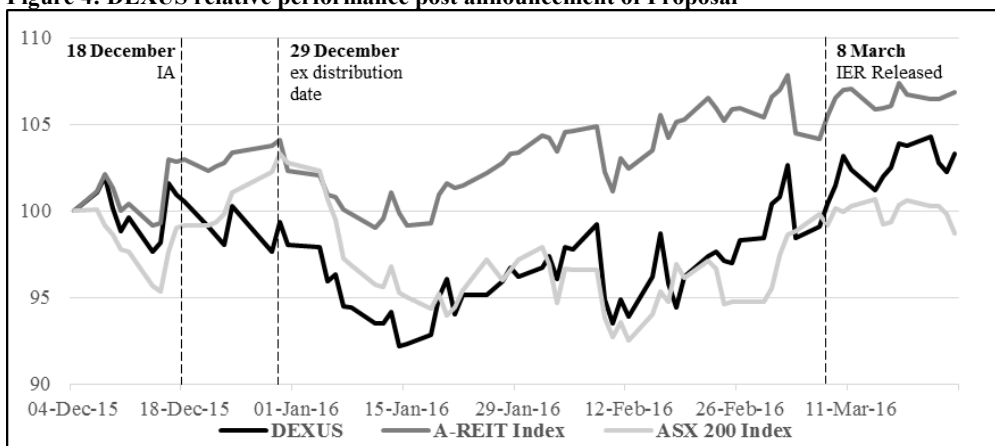
Source: KPMG Corporate Finance analysis; S&P Capital IQ

The DEXUS Security price increased strongly throughout March 2016, from a close of \$7.58 on 7 March 2016 (the day immediately prior to our IER being finalised) to close at \$7.90 on 24 March 2016 (a 4.2% increase). This is above the high end of our value range of \$7.70.

*Performance of DEXUS Securities relative to the market*

The DEXUS Security price relative to the ASX 200 Index and A-REIT Index since the announcement of the Proposal is presented below:

**Figure 4: DEXUS relative performance post announcement of Proposal**



Source: KPMG Corporate Finance analysis; S&P Capital IQ

©2016 KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International



The DEXUS Security price outperformed the A-REIT Index and ASX 200 Index from 7 March 2016 to 24 March 2016, increasing by 4.2% while the A-REIT index increased by 2.6% and the ASX 200 Index decreased by 1.1%.

*Liquidity and VWAP of DEXUS Securities*

Since 3 March 2016 (the date on which market data in our IER is based), DEXUS Securities have traded in the range of \$7.47 to \$8.05, at a VWAP of \$7.79. This range is higher than the trading range \$7.04 to \$7.86 (excluding 15 and 18 January 2016, when DEXUS Securities traded as low as \$6.99 and \$6.92, respectively, however, closed at \$7.06 and \$7.10, respectively), at a VWAP of \$7.43.

Trading in DEXUS Securities since 3 March 2016 has remained sufficiently liquid to suggest that recent performance and expectations are reflected in current trading prices. The average weekly trading volume in the period from 3 March 2016 to 24 March 2016 (2.1%) is only slightly lower than the average weekly trading volume from the announcement of the Proposal (7 December 2015) to 3 March 2016 (2.2%). Accordingly, there is nothing to indicate any specific abnormal trading in DEXUS Securities.

*Publicly available information in relation to DEXUS and the Revised Proposal*

Under ASX Listing Rules, DEXUS is required to keep the market informed of events and developments in a timely manner as they occur. Once DEXUS becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, it must inform the market of that information.

Consequently, there is no reason to consider that any information relating to DEXUS' existing business that would have a material adverse impact on its security price has not been publicly disclosed.

*Comparison to broker target prices*

In our IER, we compared our selected valuation range for DEXUS Securities to broker target prices. Eight brokers had published reports after the release of DEXUS financial results for first half of the 2016 financial year. The target prices were in the range \$7.29 to \$8.04, with a median target price of \$7.64.

Since our IER was prepared (dated 8 March 2016), six brokers have published reports on DEXUS. All of these brokers retained their existing target price except for one, which increased its target price for DEXUS Securities from \$7.55 to \$7.68. Based on broker reports that have been published after our IER was prepared, the range of target prices increases to \$7.55 to \$8.04, and the median increases by \$0.04 to \$7.68.



### Impact of the Revised Proposal on DEXUS

The financial impact of the Revised Proposal on DEXUS is set out in detail in Section 4 of the Supplementary Explanatory Memorandum and is summarised below:

**Table 5: Impact of the Revised Proposal on DEXUS**

DEXUS	Merged Group								
	Proposal				Revised Proposal				
	Without Asset Sales		With Asset Sales <sup>1</sup>		Without Asset Sales		With Asset Sales <sup>1</sup>		
	(cents)	(%)	(cents)	(%)	(cents)	(%)	(cents)	(%)	
<i>FFO and distribution guidance for 2016 financial year</i>									
FFO per Security	63.1¢	62.9¢	(0.3% $\downarrow$ )	61.9¢	(1.9% $\downarrow$ )	62.8¢	(0.5% $\downarrow$ )	61.8¢	(2.1% $\downarrow$ )
Underlying FFO per Security	56.5¢	57.8¢	2.3%	56.8¢	0.5%	57.7¢	2.1%	56.7¢	0.4%
Distribution per Security	43.5¢	43.4¢	(0.2% $\downarrow$ )	42.7¢	(1.8% $\downarrow$ )	43.4¢	(0.2% $\downarrow$ )	42.7¢	(1.8% $\downarrow$ )
<i>Financial position at 31 December 2015</i>									
NTA per Security	\$7.25	\$7.22	(0.5% $\downarrow$ )	\$7.22	(0.5% $\downarrow$ )	\$7.20	(0.7% $\downarrow$ )	\$7.20	(0.7% $\downarrow$ )
Look through gearing	29.5%	33.5%	4.0%	31.4%	1.9%	33.7%	4.2%	31.6%	2.1%

Source: Supplementary Explanatory Memorandum and KPMG Corporate Finance analysis

Note 1: Assumes 10-20 Bond Street, Sydney and 388 George Street, Sydney are sold at book value (i.e. no trading profits are generated) and proceeds are used to repay debt.

In our IER, we noted that on a per Security basis, the Proposal was accretive to the underlying FFO of the Merged Group, although dilutive to NTA, FFO (inclusive of trading profits) and potentially also distributions (assuming a payout ratio in line with recent experience).

Under the Revised Proposal, the Merged Group will have \$24 million additional borrowings as a result of the payment of the Special Distribution (\$43 million), offset by lower transaction costs (\$19 million). As a result, on a per Security basis, the Revised Proposal is:

- slightly more dilutive to NTA (\$0.02) as a result of the additional borrowings, and
- less accretive to underlying FFO (0.1 cents) and slightly more dilutive to FFO (inclusive of trading profits) (0.1 cents) and potentially also distributions (assuming a payout ratio in line with recent experience), as a result of interest costs required to fund the additional borrowings.

### Conclusion

Having considered the information as set out above, there is no substantive reason to indicate that our value range for DEXUS should be lower than that reflected in the IER.



#### **KPMG Corporate Finance**

A division of KPMG Financial Advisory Services (Australia) Pty Ltd  
Australian Financial Services Licence No. 246901  
10 Shelley Street  
Sydney NSW 2000

P O Box H67  
Australia Square 1215  
Australia

ABN: 43 007 363 215  
Telephone: +61 2 9335 7000  
Facsimile: +61 2 9335 7001  
DX: 1056 Sydney  
www.kpmg.com.au

## **PART TWO – FINANCIAL SERVICES GUIDE**

Dated 31 March 2016

### **What is a Financial Services Guide (FSG)?**

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) and Mr Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 and Mr Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 (**Authorised Representative**).

#### **This FSG includes information about:**

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance. This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

### **Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide**

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

### **KPMG Corporate Finance and the Authorised Representative's responsibility to you**

KPMG Corporate Finance has been engaged by ILFML (Client) to provide general financial product advice in the form of a Report to be included in the Notice of Meeting and Supplementary Explanatory Memorandum (**Document**)

prepared by the Client in relation to the proposed acquisition by DEXUS of all the issued securities of IOF (**Revised Proposal**). You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

### **General Advice**

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Proposal.

### **Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives**

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$50,000 for preparing the Report. KPMG Corporate

KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG.

KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report. KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

#### Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

#### Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership. From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. KPMG entities have provided, and continue to provide, a range of advisory services to a related party of the Client, ILFML, for which professional fees are received. Over the past two years professional fees of \$1,135,765 have been received from ILFML. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

#### Complaints resolution

##### Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

##### External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45

days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08

Facsimile: (03) 9613 6399 Email: [info@fos.org.au](mailto:info@fos.org.au)

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

#### Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

#### Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance

A division of KPMG Financial Advisory Services (Australia)

Pty Ltd

10 Shelley St

Sydney NSW 2000

PO Box H67

Australia Square

NSW 1213

Telephone: (02) 9335 7000

Facsimile: (02) 9335 7200

Ian Jedlin and Sean Collins

C/O KPMG

PO Box H67

Australia Square

NSW 1213

Telephone: (02) 9335 7000

Facsimile: (02) 9335 8021



# Attachment 2

## INVESTIGATING ACCOUNTANT LETTER



The Directors  
Investa Listed Funds Management Limited (as responsible entity of Investa Office Fund)  
Level 6, Deutsche Bank Place  
126 Phillip Street  
SYDNEY NSW 2000

The Directors  
DEXUS Funds Management Limited (as responsible entity of DEXUS Property Group)  
Level 25, Australia Square  
SYDNEY NSW 2000

31 March 2016

Dear Directors

### ***Independent Limited Assurance Report and Financial Services Guide***

We have been engaged by Investa Listed Funds Management Limited as responsible entity of Investa Office Fund (consisting of Armstrong Jones Office Fund and Prime Credit Property Trust) (**IOF**) and DEXUS Funds Management Limited as responsible entity of DEXUS Diversified Trust, DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust (**DEXUS**) to report on the consolidated statements of financial position of IOF and DEXUS and the pro forma consolidated statement of financial position of the Merged Group as at 31 December 2015 and the forecast underlying funds from operations of IOF and DEXUS and the pro forma forecast underlying funds from operations of the Merged Group for the year ending 30 June 2016 for inclusion in the Supplementary Explanatory Memorandum dated on or about 31 March 2016.

We note that we issued a report that was included in the Explanatory Memorandum dated 9 March 2016 and we have been instructed to prepare this report because the Independent Board Committee has decided to pay a special dividend conditional on the DEXUS proposal becoming effective.

The Merged Group is the combined entity that will result from the implementation of a proposed transaction under which the stapled securities of IOF will be acquired by DEXUS in exchange for \$0.8229 cash and 0.4240 DEXUS Property Group Securities (or a variation of this consideration as elected under the 'mix and match' facility) as consideration for each IOF Security.

Expressions and terms defined in the Supplementary Explanatory Memorandum and Explanatory Memorandum have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services license under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services license under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

---

***PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617***  
***Holder of Australian Financial Services Licence No 244572***  
*Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171*  
*T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au*



### ***Scope***

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information included in the Supplementary Explanatory Memorandum:

#### ***Historical Financial Information***

- the Consolidated Statement of Financial Position of IOF as at 31 December 2015 (the **IOF Historical Financial Information**)
- the Consolidated Statement of Financial Position of DEXUS as at 31 December 2015 (the **DEXUS Historical Financial Information**)

together the **Historical Financial Information**.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and IOF's and DEXUS's adopted accounting policies as appropriate, as described in section 10.6 of the Explanatory Memorandum. The Historical Financial Information has been extracted from financial reports of IOF and DEXUS for the six months ended 31 December 2015 both of which were reviewed by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued unmodified opinions on both of the financial reports. The Historical Financial Information is presented in the Supplementary Explanatory Memorandum in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

#### ***Pro Forma Historical Financial Information***

- the pro forma Consolidated Statement of Financial Position of the Merged Group as at 31 December 2015

The Pro Forma Historical Financial Information has been derived from the historical financial information of IOF and DEXUS, after adjusting for the effects of pro forma adjustments described in section 4 of the Supplementary Explanatory Memorandum. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the adopted accounting policies of IOF and DEXUS applied to the Pro Forma Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4 of the Supplementary Explanatory Memorandum and section 10 of the Explanatory Memorandum, as if those event(s) or transaction(s) had occurred as at the date of the Pro Forma Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Merged Group's actual or prospective financial position as at 31 December 2015.

#### ***Forecasts***

- the Forecast Underlying Funds From Operations of IOF for the year ended 30 June 2016 (**IOF Forecast Financial Information**)
- the Forecast Underlying Funds From Operations of DEXUS for the year ended 30 June 2016 (**DEXUS Forecast Financial Information**)



together the **Forecasts**.

As noted in section 4.3(a) of the Supplementary Memorandum, the directors' best-estimate assumptions underlying the Forecasts are described in section 10 of the Explanatory Memorandum. The stated basis of preparation used in the preparation of the Forecasts being the recognition and measurement principles contained in Australian Accounting Standards and accounting policies adopted by IOF and DEXUS, other than it includes adjustments as described in section 10 of the Explanatory Memorandum.

#### *Pro Forma Forecast*

- the Pro Forma Forecast Underlying Funds From Operations of the Merged Group for the year ended 30 June 2016 described in section 4 of the Supplementary Explanatory Memorandum (**Pro Forma Forecast**)

The Pro Forma Forecast has been derived from IOF's and DEXUS's individual Forecasts, after adjusting for the effects of the pro forma adjustments described in section 4 of the Supplementary Explanatory Memorandum and section 10 of the Explanatory Memorandum. The stated basis of preparation used in the preparation of the Pro Forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the Pro Forma Forecast and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4 of the Supplementary Memorandum and section 10 of the Explanatory Memorandum, as if those event(s) or transaction(s) had occurred as at 1 July 2015. Due to its nature, the Pro Forma Forecast does not represent the Merged Group's actual or prospective financial performance and cash flows for the year ending 30 June 2016.

#### ***Responsibility for Information***

As described in the Responsibility Statement set out in the Disclaimer and Important Notices section of the Supplementary Explanatory Memorandum, the directors of Investa Listed Funds Management Limited have produced and are responsible for the preparation of the IOF Historical Financial Information, including its basis of preparation, and the preparation of the IOF Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the IOF Forecast Financial Information. This includes responsibility for compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical and forecast financial information free from material misstatement.

As described in the Responsibility Statement set out in the Disclaimer and Important Notices section of the Supplementary Explanatory Memorandum, the directors of DEXUS Funds Management Limited have produced and are responsible for the preparation of the DEXUS Historical Financial Information, including its basis of preparation, and the preparation of the DEXUS Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the DEXUS Forecast Financial Information. This includes responsibility for compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical and forecast financial information free from material misstatement.

As described in the Responsibility Statement set out in the Supplementary Explanatory Memorandum, the directors of DEXUS Funds Management Limited are responsible for preparation of the Pro Forma



Historical Financial Information regarding the Merged Group, including its basis of preparation, and the preparation of the Pro Forma Forecast regarding the Merged Group, including its basis of preparation and the best-estimate assumptions underlying the Pro Forma Forecast, other than to the extent that Investa Listed Funds Management Limited has provided the financial information concerning IOF that is included in the Pro Forma Historical Financial Information regarding the Merged Group, including regarding its basis of preparation, and the preparation of the IOF Forecast Financial Information, including regarding its basis of preparation and the best-estimate assumptions underlying the IOF Forecast Financial Information, for which the directors of Investa Listed Funds Management Limited are responsible. This includes responsibility for compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical and forecast financial information free from material misstatement.

### ***Our responsibility***

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Pro Forma Historical Financial Information, the Forecasts and the Pro Forma Forecast, the best-estimate assumptions underlying the Forecasts and Pro Forma Forecast, and the reasonableness of the Forecast and Pro Forma Forecast themselves, based on our review. We have conducted our engagement in accordance with the *Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

### ***Conclusions***

#### ***Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in section 4 of the Supplementary Explanatory Memorandum, and comprising the Consolidated Statements of Financial Position of each of IOF and DEXUS as at 31 December 2015 is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4 of the Supplementary Explanatory Memorandum being the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted by IOF and DEXUS.

#### ***Pro Forma Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in section 4 of the Supplementary Explanatory Memorandum, and comprising the Pro Forma Consolidated Statement of Financial Position of the Merged Group as at 31 December 2015 is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4 of the Supplementary Explanatory Memorandum being the recognition and measurement principles contained in Australian



Accounting Standards and the accounting policies adopted by IOF and DEXUS applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4 of the Supplementary Explanatory Memorandum and section 10 of the Explanatory Memorandum, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information.

### *Forecasts*

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the forecast underlying funds from operations of each of IOF and DEXUS for the year ending 30 June 2016 described in section 10 of the Explanatory Memorandum do not provide reasonable grounds for the Forecasts, and
- in all material respects, the Forecasts :
  - are not properly prepared on the basis of the directors' best-estimate assumptions as described in section 10 of the Explanatory Memorandum, and
  - are not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted by IOF and DEXUS described in section 10 of the Explanatory Memorandum, and
- the Forecasts themselves are unreasonable.

### *Pro Forma Forecast*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the pro forma forecast underlying funds from operations of the Merged Group for the year ended 30 June 2016 described in section 10 of the Explanatory Memorandum do not provide reasonable grounds for the Pro Forma Forecast, and
- in all material respects, the Pro Forma Forecast :
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 10 of the Explanatory Memorandum; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted by IOF and DEXUS and described in section 10 of the Explanatory Memorandum, applied to the Pro forma Forecast and the pro forma adjustments as if the adjustments described in section 4 of the Supplementary Explanatory Memorandum and section 10 of the Explanatory Memorandum had occurred as at the date of the forecast; and
- the Pro Forma Forecast itself is unreasonable.

### *Forecasts and Pro Forma Forecast*

The IOF Forecast has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of IOF for the year ending 30 June 2016. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results



are likely to be different from the IOF Forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the IOF Forecast is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of IOF. Evidence may be available to support the directors' best-estimate assumptions on which the IOF Forecast is based however such evidence is generally future-oriented and therefore speculative in nature. If the events do not occur as assumed, actual results achieved by IOF may vary significantly from the IOF Forecast. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

The DEXUS Forecast and the Pro Forma Forecast have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of DEXUS and the Merged Group for the year ending 30 June 2016. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the DEXUS Forecast and Pro Forma Forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the DEXUS Forecast and Pro Forma Forecast are based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of DEXUS. Evidence may be available to support the directors' best-estimate assumptions on which the DEXUS Forecast and Pro Forma Forecast are based however such evidence is generally future-oriented and therefore speculative in nature. If the events do not occur as assumed, actual results achieved by DEXUS and the Merged Group may vary significantly from the DEXUS Forecast and Pro Forma Forecast. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in IOF and DEXUS, which are detailed in the Explanatory Memorandum, and the inherent uncertainty relating to the Forecasts and Pro Forma Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 10 and 11 of the Explanatory Memorandum. The sensitivity analysis described in section 10.5 of the Explanatory Memorandum demonstrates the impact on the Forecasts and Pro Forma Forecast of changes in key best-estimate assumptions. We express no opinion as to whether the Forecasts or Pro Forma Forecast will be achieved.

The Forecasts and Pro Forma Forecast have been prepared by the directors for the purpose of inclusion in the Supplementary Explanatory Memorandum. We disclaim any assumption of responsibility for any reliance on this report, or on the Forecasts or Pro Forma Forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on



representations from certain members of management of IOF and DEXUS, that all material information concerning the prospects and proposed operations of IOF and DEXUS have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### ***Notice to investors outside Australia***

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

### ***Restriction on Use***

Without modifying our conclusions, we draw attention to section 4 of the Supplementary Explanatory Memorandum, which describes the purpose of the financial information, being for inclusion in the Supplementary Explanatory Memorandum. As a result, the financial information may not be suitable for use for another purpose.

### ***Consent***

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

### ***Liability***

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Supplementary Explanatory Memorandum. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Supplementary Explanatory Memorandum.

### ***Independence or Disclosure of Interest***

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

### ***Financial Services Guide***

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Haberlin', is written over a light blue horizontal line.

Mark Haberlin  
Authorised Representative  
PricewaterhouseCoopers Securities Ltd



# Attachment 3

TAXATION LETTER

Investa Listed Funds Management Limited  
as responsible entity of Armstrong Jones  
Office Fund and Prime Credit Property Trust  
Level 6, Deutsche Bank Place  
126 Philip Street  
Sydney NSW 2000

31 March 2016

Dear Directors

## Australian Taxation Report

We have been requested by Investa Listed Funds Management Limited (**ILFML**) in its capacity as responsible entity of AJO Fund and PCP Trust to prepare a Taxation Report to be included in the Supplementary Explanatory Memorandum dated on or around 31 March 2016. AJO Fund and PCP Trust are collectively referred to in this report as IOF.

The information contained in this report is of a general nature only. It does not constitute tax advice and should not be relied upon as such. This report outlines the general Australian income tax and goods and services tax (**GST**) implications for IOF Unitholders in respect of the proposal for IOF to pay a special distribution of 7 cents per unit (the **Special Distribution**).

We have only dealt with the tax implications for IOF Unitholders who are Australian resident individuals and hold their IOF Units on capital account. The tax implications may differ for IOF Unitholders who hold their units in any other circumstances. **All investors should seek independent professional advice on the consequences of the Special Distribution, based on their particular circumstances.**

Terms used in this report, unless stated otherwise, are defined in the same way as they are in Section 15 of the Explanatory Memorandum and Section 6 of the Supplementary Explanatory Memorandum.

This report is based on the provisions of the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and related acts, regulations and Australian Taxation Office (**ATO**) rulings and determinations applicable as at the date of this Taxation Report.

### 1 Tax treatment of the Special Distribution

The entitlement to the Special Distribution is conditional on the Proposal becoming Effective. If the Proposal does not become Effective, there will be no tax consequences for IOF Unitholders.

If the Proposal becomes Effective, IOF Unitholders who are registered on the Record Date will be entitled to receive the Special Distribution on the Implementation Date. Those IOF Unitholders will include in their assessable income for the income year in which the Record Date occurs the taxable component of the Special Distribution.

Any tax deferred component of the Special Distribution should reduce the cost base of the IOF Unitholder's units in the relevant IOF trust. Where the cost base of a unit is reduced to zero, any additional tax deferred component will be assessable to the IOF Unitholder as a capital gain. The CGT discount may be applied to this capital gain where the units have been held for 12 months or more. IOF Unitholders who acquired their units

in either AJO Fund or PCP Trust on or before 11.45am on 21 September 1999 may choose to apply the indexation method instead of the CGT discount to any capital gain made.

The tax profile of the Special Distribution will be advised to IOF Unitholders subsequent to 30 June 2016. The tax profile of that distribution is determined by reference to the taxation position of the AJO Fund and PCP Trust for the full income year (ie the 12 months to 30 June 2016).

## 2 CGT Consequences

The ATO, in Taxation Ruling *TR 2010/4*, takes the view that in certain circumstances a dividend declared or paid by a company to a shareholder who has disposed of shares in that company will constitute additional capital proceeds from the disposal of the shares for CGT purposes. Although *TR 2010/4* deals with companies, the ATO would likely apply the same principle to trusts.

If the ATO were to treat the Special Distribution as additional capital proceeds for the sale of the IOF Units under the Proposal, the taxable component would continue to be taxed in accordance with 1 above but there would also be the following CGT consequences. The Special Distribution would not impact a capital gain realised under the Proposal and would also not impact the level of scrip for scrip rollover available (mainly because of the CGT anti-overlap rule). A capital loss realised under the Proposal would be reduced by the taxable component of the Special Distribution (as the CGT anti-overlap rule does not apply to capital losses) and the cost base of DOT units acquired in exchange for IOF units that have been subject to scrip for scrip rollover would be lower (because the Special Dividend would be considered ineligible proceeds).

The Special Distribution does not exhibit any of the characteristics identified in *TR 2010/4* as indicia of the distribution being additional capital proceeds. On this basis, the Special Distribution should not be treated as additional capital proceeds and should therefore not have any impact on the CGT consequences of the Proposal (including the scrip for scrip rollover implications if chosen).

As noted in section 13 of the Explanatory Memorandum, IOF has applied to the ATO for a binding class ruling (**Class Ruling**). The ATO will also be asked to confirm in the Class Ruling that the Special Distribution will not be treated as additional capital proceeds. A copy of the Class Ruling will be made available on the IOF website once it is issued.

## 3 Other Issues

The Special Distribution should not impact any other tax implications of the Proposal and should not be impacted by the proposed AMIT Regime (refer section 13 of the Explanatory Memorandum for further details).

No GST or stamp duty liability should arise for IOF Unitholders as a result of the Special Distribution.

Where an IOF Unitholder has not provided their Tax File Number (**TFN**), Australian Business Number (**ABN**) or an exemption to IOF, tax may be withheld at a rate of 49% on the Special Distribution with entitlement to claim an income tax credit in respect of the tax withheld.

Yours sincerely



**Manuel Makas**  
Director  
Greenwoods & Herbert Smith Freehills

This page has been left blank intentionally.

This page has been left blank intentionally.

This page has been left blank intentionally.

# CORPORATE DIRECTORY

## Investa Office Fund

Armstrong Jones Office Fund  
ARSN 090 242 229  
Prime Credit Property Trust  
ARSN 089 849 196

## Responsible Entity

Investa Listed Funds Management Limited  
ACN 149 175 655 AFSL 401414

## Registered Office

Deutsche Bank Place  
Level 6, 126 Phillip Street  
Sydney NSW 2000 Australia

Phone: +61 2 8226 9300  
Fax: +61 2 9844 9300  
Email: [investorrelations@investa.com.au](mailto:investorrelations@investa.com.au)  
Website: [www.investa.com.au/IOF](http://www.investa.com.au/IOF)

## ASX Code

IOF

## IOF Registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

Locked Bag A14  
Sydney South NSW 1235

Phone: 1300 851 394 (local call cost)  
or: +61 1300 851 394 (outside Australia)  
Fax: +61 2 9287 0303  
Email: [investa@linkmarketservices.com.au](mailto:investa@linkmarketservices.com.au)

## Legal Adviser

Herbert Smith Freehills  
Level 34, ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000

## Financial Advisers

Macquarie Capital (Australia) Limited  
50 Martin Place  
Sydney NSW 2000

Fort Street Advisers  
Level 11, 1 O'Connell Street  
Sydney NSW 2000





**INVESTA OFFICE FUND**

ARMSTRONG JONES OFFICE FUND ARSN 090 242 229  
 PRIME CREDIT PROPERTY TRUST ARSN 089 849 196

RESPONSIBLE ENTITY:  
 INVESTA LISTED FUNDS MANAGEMENT LIMITED  
 ACN 149 175 655 AFSL 401414

**LODGE YOUR VOTE**

-  **ONLINE**  
www.linkmarketservices.com.au
-  **BY MAIL**  
Investa Office Fund  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia
-  **BY FAX**  
+61 2 9287 0309
-  **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138
-  **ALL ENQUIRIES TO**  
Telephone: 1300 308 902 Overseas: +61 2 9098 9228



**X99999999999**

**PROXY FORM**

I/We being a member(s) of Investa Office Fund and entitled to attend and vote hereby appoint:

**APPOINT A PROXY**

**the Chairman of the Meeting (mark box)** **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, in FAVOUR of each item of business) at the Extraordinary General Meeting of Investa Office Fund to be held at **10:00am (Sydney time) on Friday, 15 April 2016 at Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney NSW 2000** (the Meeting) and at any postponement or adjournment of the Meeting.


**The Chairman of the Meeting intends to vote all undirected proxies in FAVOUR of each item of business.**

**VOTING DIRECTIONS**

Proxies will only be valid and accepted by Investa Listed Funds Management Limited as responsible entity of Armstrong Jones Office Fund and Prime Credit Property Trust if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

**Resolutions**

	For	Against	Abstain*
1 Trust Acquisition Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Trust Constitution Amendment Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**SIGNATURE OF UNITHOLDERS – THIS MUST BE COMPLETED**

Unitholder 1 (Individual) <input style="width: 100%; height: 30px;" type="text"/>	Joint Unitholder 2 (Individual) <input style="width: 100%; height: 30px;" type="text"/>	Joint Unitholder 3 (Individual) <input style="width: 100%; height: 30px;" type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the unitholder. If a joint holding, either unitholder may sign. If signed by the unitholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the IOF Constitutions and the Corporations Act 2001 (Cth).



## HOW TO COMPLETE THIS UNITHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the IOF Register. If this information is incorrect, please make the correction on this form. Unitholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your units using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be an IOF Unitholder.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted in FAVOUR of each item of business.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your units will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of units you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the IOF Registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of units applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either holder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the IOF Registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Sydney time) on Wednesday, 13 April 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, unitholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your unitholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Investa Office Fund  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours  
(Monday to Friday, 9:00am–5:00pm (Sydney time))

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

**INVESTA OFFICE FUND**

ARMSTRONG JONES OFFICE FUND ARSN 090 242 229  
PRIME CREDIT PROPERTY TRUST ARSN 089 849 196

RESPONSIBLE ENTITY:  
INVESTA LISTED FUNDS MANAGEMENT LIMITED  
ACN 149 175 655 AFSL 401414

All Registry communications to:  
Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia  
Telephone (within Australia): 1300 308 902  
Telephone (outside Australia): +61 2 9098 9228  
Facsimile: +61 2 9287 0309  
ASX Code: IOF  
Email: registrars@linkmarketservices.com.au  
Website: www.linkmarketservices.com.au



Current unitholding as at  
Election Date:\*

**IMPORTANT** – This is an important document and requires your immediate attention. Do not complete this Election Form until you have read the accompanying Explanatory Memorandum and Supplementary Explanatory Memorandum and the instructions on this Election Form.

**ELECTION FORM**

This Election Form relates to the Proposal between DEXUS Property Group and IOF and should be read in conjunction with the Explanatory Memorandum dated 9 March 2016 and the Supplementary Explanatory Memorandum dated 31 March 2016. Unless the context otherwise requires, the definitions contained in the Explanatory Memorandum and Supplementary Explanatory Memorandum also apply in this Election Form.

If you have already sold your IOF Units, do not complete and return this Election Form.

IOF Unitholders may make an Election to receive their Proposal Consideration as Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration. An IOF Unitholder who does not make an Election, who makes an invalid Election or who becomes an IOF Unitholder after the Election Date will be deemed to have elected to receive the Standard Consideration.

IOF Unitholders who are Ineligible Overseas Unitholders may make an Election but new DEXUS Securities will not be issued to them. Instead, the Sale Agent will sell those new DEXUS Securities through the Sale Facility and will receive the net proceeds of any sale in cash (after deducting any applicable taxes, duty, currency conversion or other costs and charges). IOF Unitholders who are Minimum Holders are also able to elect to participate in the Sale Facility.

Once made, your Election will be irrevocable and apply to all IOF Units which you hold on the Implementation Date. However, if you have already submitted an Election Form on or before the date of the Supplementary Explanatory Memorandum and you wish to change your Election, you may do that by completing and returning this Election Form.

The differences between the three forms of Proposal Consideration are summarised in Section 5.3 of the Explanatory Memorandum.

**A Election**

I/We elect:

- Standard Consideration**  
Being \$0.8229 cash and 0.4240 DEXUS Securities for each IOF Unit held at the Record Date (on the terms as described in Section 5.3(a) of the Explanatory Memorandum);
- Maximum Cash Consideration**  
All Proposal Consideration in cash (subject to scale-back) on the terms as described in Section 5.3(b) of the Explanatory Memorandum;
- Maximum Scrip Consideration**  
All Proposal Consideration in new DEXUS Securities (subject to scale-back) on the terms as described in Section 5.3(c) of the Explanatory Memorandum;
- Participate in Sale Facility as an Electing Minimum Holder**  
An IOF Unitholder who is entitled to receive a parcel of DEXUS Securities under the terms of the Proposal with a value of less than \$500 (calculated as at the close of trading on the Effective Date) may make the Elections described in Sections 5.3(a), 5.3(b) or 5.3(c) of the Explanatory Memorandum on the same terms, including as to scale-back, as Eligible IOF Unitholders. However, if you elect to participate in the Sale Facility as a Minimum Holder, you will receive cash instead of any DEXUS Securities which you would be otherwise entitled to receive (including to the extent that you have made an Election, or deemed to have made an Election, to receive DEXUS Securities), through the Sale Facility. See Sections 5.3(e) and 5.3(f) of the Explanatory Memorandum for further details.

**B Contact Details – Please provide a daytime telephone number where we can contact you, if we have any questions about this Election Form.**

Daytime telephone number

Contact name (PRINT)

**C Unitholder Signature(s) – Instructions**

This section must be signed in accordance with the instructions overleaf to enable your direction to be implemented.

I/We authorise the responsible entity of IOF or its agent to process my/our Election on my/our behalf in accordance with the instructions set out above. If my/our Election is not in accordance with the terms of the Explanatory Memorandum and the instructions on the back of this Election Form, I/we authorise IOF to process my/our Election as deemed necessary. If this Election Form is signed under a Power of Attorney, the attorney declares that they have no notice of revocation of that power.

Unitholder 1 (Individual)  
  
Sole Director and Sole Company Secretary

Joint Unitholder 2 (Individual)  
  
Director/Company Secretary (Delete one)

Joint Unitholder 3 (Individual)  
  
Director  
Date

\*The number of Units in your name on the IOF Register on Election Date. This number may change. Your Election applies to all the IOF Units you hold at the Record Date (currently scheduled for Friday, 29 April 2016), not the number in this box.

**TO BE A VALID ELECTION, THIS ELECTION FORM MUST BE RECEIVED AT ONE OF THE ADDRESSES LISTED OVERLEAF BY NO LATER THAN 5:00PM (SYDNEY TIME) ON THURSDAY, 28 APRIL 2016 (UNLESS EXTENDED)**

**IOF SOA001**



## HOW TO COMPLETE THIS ELECTION FORM

### A Election

Please make your Election by marking the appropriate box.

If the Proposal becomes Effective and is implemented then:

- Proposal Participants will receive in accordance with their Election (or deemed Election):
  - Standard Consideration, being \$0.8229 cash and 0.4240 DEXUS Securities for each IOF Unit held at the Record Date (on the terms as described in Section 5.3(a) of the Explanatory Memorandum);
  - Maximum Cash Consideration (all Proposal Consideration in cash (subject to scale-back) on the terms as described in Section 5.3(b) of the Explanatory Memorandum); or
  - Maximum Scrip Consideration (all Proposal Consideration in new DEXUS Securities (subject to scale-back) on the terms as described in Section 5.3(c) of the Explanatory Memorandum);
- to the extent a Proposal Participant has not made an Election by 5:00pm (Sydney time) on the Election Date (expected to be Thursday, 28 April 2016) or has made an invalid Election or becomes an IOF Unitholder after the Election Date, they will be deemed to have elected the Standard Consideration;
- Eligible IOF Unitholders will become entitled to receive the Proposal Consideration which they have elected, or been deemed to have elected, subject to the terms of any scale-back.
- Ineligible Overseas Unitholders and Electing Minimum Holders may also make an Election for Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration on the same terms as Eligible IOF Unitholders. However they will receive cash instead of any DEXUS Securities which they would otherwise be entitled to receive (including to the extent they have made an Election, or been deemed to have made an Election, to receive DEXUS Securities, through the Sale Facility.) See Sections 5.3(e) and 5.3(f) of the Explanatory Memorandum for further detail.
- IOF Unitholders should note that the provision of Proposal Consideration, including any scale-back for Maximum Cash Consideration or Maximum Scrip Consideration, will be based on a fixed price for DEXUS Securities being the DEXUS Reference Price and a fixed offer value per IOF Unit being the Implied Announcement Value. For example, to the extent an IOF Unitholder who selects

Maximum Cash Consideration is subject to scale-back, the component of the Implied Announcement Value which cannot be satisfied in cash will be satisfied in DEXUS Securities provided at the DEXUS Reference Price. To the extent that DEXUS Securities trade below or above the DEXUS Reference Price, IOF Unitholders may wish to take this into account in making their Elections as the implied value of the Proposal Consideration is impacted by the value of DEXUS Securities from time to time.

Election Forms must be received by Link Market Services Limited at an address shown below no later than 5:00pm (Sydney time) on Thursday, 28 April 2016. You should allow sufficient time for this to occur. The postal acceptance rule does not apply. You may wish to consult your investment, financial, taxation or other professional adviser about the best decision for you having regard to your own particular circumstances.

The Election Form only applies to the IOF Unitholders identified by the SRN/HIN and the name appearing on the front of this Election Form.

### B Contact Details

Please enter your contact telephone number to enable us to contact you if we have any questions about your Election Form.

### C Signature(s)

You must sign and date this Election Form as follows in the space provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all holders must sign.

**Power of Attorney:** to sign under Power of Attorney, you must have already lodged the Power of Attorney with the IOF Registry. If you have not previously lodged this document for notation, please attach a certified copy of the Power of Attorney to this Election Form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this Election Form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this Election Form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Lodgement of Election Form

Duly completed and executed Election Forms must be received at the IOF Registry by no later than 5:00pm (Sydney time) on Thursday, 28 April 2016 (unless extended). You should allow sufficient time for this to occur. A reply paid envelope is enclosed for IOF Unitholders in Australia. Overseas IOF Unitholders will need to affix the appropriate postage. Return your Election Form to either of the addresses listed below, in the manner provided.

#### POSTAL DELIVERY

Investa Office Fund  
C/- Link Market Services Limited  
Locked Bag A14  
SYDNEY SOUTH NSW 1235

#### HAND DELIVERY

Investa Office Fund  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
RHODES NSW 2138 *(Please do not use this address for postal delivery)*

If you have any enquiries concerning your entitlement, please contact the IOF Unitholder Information Line on 1300 308 902 (within Australia) and +61 2 9098 9228 (outside Australia), Monday to Friday between 8:30am and 5:30pm (Sydney time).

**Personal Information Collection Notification Statement:** Link Group advises that personal information it holds about you (including your name, address, date of birth and details of the financial assets) is collected by Link Group organisations to administer your investment. Personal information is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. Some or all of your personal information may be disclosed to contracted third parties, or related Link Group companies in Australia and overseas. Your information may also be disclosed to Australian government agencies, law enforcement agencies and regulators, or as required under other Australian law, contract, and court or tribunal order. For further details about our personal information handling practices, including how you may access and correct your personal information and raise privacy concerns, visit our website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.