

ASX Announcement – Australian Unity Office Fund

21 November 2024

Proposal to dispose of AOF's main undertaking

Australian Unity Investment Real Estate Limited (AUIREL) as responsible entity of Australian Unity Office Fund (ASX: AOF) refers to its announcement on 22 August 2024 regarding the future of AOF.

AUIREL announces that it has determined to dispose of AOF's main undertaking and has today lodged with ASX the Explanatory Memorandum and Notice of Extraordinary General Meeting (**Explanatory Memorandum**) to seek AOF Unitholder approval to do so in accordance with ASX Listing Rules.

Proposal to dispose of AOF's main undertaking

The proposal involves the disposal of AOF's main undertaking and associated steps with respect to the cessation of AOF's real estate investment business, including the sale of 468 St Kilda Road, Melbourne, returning net proceeds of all AOF asset sales to AOF Unitholders, and ultimately delisting and winding up AOF (**Proposal**).

The Explanatory Memorandum provides AOF Unitholders with important information about the Proposal and AOF Unitholders are encouraged to read the Explanatory Memorandum in full before voting on the Proposal. Key components of the Proposal are summarised in this announcement.

The Extraordinary General Meeting of AOF Unitholders to consider the Proposal will be held on Tuesday, 17 December 2024 at 10.00 am (AEDT) at 271 Spring Street, Melbourne.

Proposed sale of 468 St Kilda Road, Melbourne

As previously announced, including on 22 August 2024, AUIREL has been in discussions with prospective purchasers regarding the potential sale of 468 St Kilda Road, Melbourne.

AUIREL confirms it has entered into a non-binding Heads of Agreement with a potential purchaser of 468 St Kilda Road, Melbourne reflecting estimated net proceeds, excluding disposal costs, of \$41.75 million.

AOF Unitholder approval of the sale of 468 St Kilda Road, Melbourne, on terms and conditions as determined by AUIREL, acting in the best interests of AOF Unitholders, is being sought as part of the Proposal.

There can be no certainty as to the sale of 468 St Kilda Road, Melbourne, its terms (including consideration value) and timing, until a binding contract for sale of the property has been exchanged.

Proceeds to be returned to AOF Unitholders

The Proposal includes the return of net proceeds to AOF Unitholders from the previously announced sales of 2-10 Valentine Avenue, Parramatta (with settlement currently expected to occur in March 2025) and 150 Charlotte Street, Brisbane (with settlement currently expected to occur in April 2025), as well as the return of net proceeds to AOF Unitholders from the proposed sale of 468 St Kilda Road, Melbourne (if and when it occurs). These proceeds are

Issuer:

Australian Unity Investment Real Estate Limited
271 Spring Street
Melbourne VIC 3000
ABN 86 606 414 368
AFSL: 477434

Registry Enquiries:

Australian Unity Office Fund Investor Services
1300 737 760 or
+61 2 9290 9600
(outside Australia)

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expected to be returned as the asset sales settle. AOF Unitholder approval of the return of these proceeds in the manner determined by the Directors of AUIREL to be most efficient for AOF Unitholders, is being sought as part of the Proposal.

If the Proposal is implemented, AUIREL expects to return aggregate proceeds to Unitholders of between \$1.20 to \$1.23 per Unit¹. This assumes settlement of 468 St Kilda Road, Melbourne for net proceeds of \$41.75 million and includes the special distribution from the sale of 64 Northbourne Avenue, Canberra of 9 cents per AOF Unit, which was announced on 18 November 2024 and is expected to be paid to AOF Unitholders on or around 6 December 2024.

Excluding the special distribution from the sale of 64 Northbourne Avenue, Canberra, but otherwise based on the same assumptions, AUIREL expects to return aggregate proceeds to AOF Unitholders from the Proposal of between \$1.11 and \$1.14 per Unit².

Delisting and Winding Up of AOF

If the Proposal is approved, the ultimate intention of AUIREL is the termination and winding-up of AOF. Accordingly, AUIREL intends to formally apply to ASX for removal from the Official List of the ASX upon settlement of the last asset sale and following completion of the return of sale proceeds described above.

AUIREL has applied for and received in-principle advice from ASX that, subject to the receipt of a formal application for delisting, ASX would likely remove AOF from the Official List of ASX in these circumstances, on a date to be determined by ASX in consultation with AUIREL, subject to compliance with certain conditions. These include approval of the delisting by AOF Unitholders. AOF Unitholder approval of the delisting is being sought as part of the Proposal.

If approval for the delisting is obtained, AOF is expected to be delisted within a month of the return of sale proceeds, but not before April 2025. As a result, AOF units will no longer trade on the ASX and there will not be an active market for AOF units.

The Explanatory Memorandum contains more information in respect of the delisting, including the conditions to, and consequences of, delisting.

Following the delisting, AUIREL will take steps to formally terminate and wind up AOF in the manner determined by the Directors to be most efficient for AOF Unitholders. Winding up is expected to be completed no earlier than June 2025 and may occur after this time. Approval of AOF Unitholders is not required for the winding up.

¹ AOF Unitholders will only be eligible to receive this aggregate return if they are on the register on the record date for the special distribution from the sale of 64 Northbourne Avenue, Canberra and each of the record dates for the distributions under the Proposal and continue to hold their AOF units through the winding up.

² AOF Unitholders will only be eligible to receive this aggregate return if they are on the register on each of the record dates for the distributions under the Proposal and continue to hold their AOF units through the winding up.

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Director recommendations

The Directors of AUIREL unanimously recommend that AOF Unitholders vote in favour of the Proposal, in the absence of a superior proposal.

Each Director of AUIREL intends to vote any AOF units that he or she holds or controls in favour of the Proposal.

The Explanatory Memorandum sets out the Directors' considerations of the potential advantages and disadvantages of the Proposal.

AOF major Unitholders' support of the Proposal

As part of finalising the Proposal, AUIREL has engaged with certain AOF Unitholders who, as at the time of consultation, individually held relevant interests in 5% or more of AOF units on issue and were therefore substantial holders of AOF.

Following this engagement, four AOF Unitholders with a combined holding of approximately 42.1% of AOF units³ have indicated their current intention to vote in favour of the Proposal, in the absence of a superior proposal.

Australian Unity support of the Proposal

Australian Unity Funds Management Limited (AUFM) and Australian Unity Property Management Pty Limited (AUPM), each of which are, along with AUIREL, ultimately owned by Australian Unity Limited, are supportive of the Proposal.

To demonstrate this support, and subject to AOF Unitholders approving the Proposal, AUFM and AUPM have agreed not to charge from 1 July 2024 the property management fee, other property related service fees and accounting fees that these entities are entitled to under AOF's Property Management Services Agreement and Investment Management Services Agreement.

AUIREL as responsible entity of the Fund is entitled to a management fee which will continue to be paid until the winding up is complete.

Australian Unity Limited and each of its subsidiaries (or associates of those persons) are not entitled to vote on the resolutions to implement the Proposal and AUIREL must disregard any votes by or on behalf of those parties.

AOF quarterly distributions

As a result of seeking AOF Unitholder approval for the Proposal, AUIREL does not currently intend to declare quarterly distributions going forward. If the Proposal is not approved and does not proceed, AUIREL will provide an update to AOF Unitholders as to its intentions in this regard.

³ Based on confirmation of holdings provided by each relevant Unitholder as at the date of their intention statement.

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Further information

If you require any further information in relation to the Proposal or the Explanatory Memorandum, please call the AOF Unitholder information line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) at any time between 9:00am to 5:00pm (AEDT) Monday to Friday (excluding public holidays).

Authorised by:

AUIREL Disclosure Committee

Contact information

Simon Beake

Portfolio Manager – AOF

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This announcement is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368, AFSL 477434 (AUIREL) as responsible entity of Australian Unity Office Fund. AUIREL is a wholly owned subsidiary of Australian Unity Limited ABN 23 087 648 888`

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EXPLANATORY MEMORANDUM AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Extraordinary General Meeting of the Unitholders
of the Australian Unity Office Fund

Tuesday, 17 December 2024 at 10.00 am (AEDT)
to be held at 271 Spring Street, Melbourne VIC 3000

Australian Unity Investment Real Estate Limited
(AFSL 477434)
as **Responsible Entity** for the
Australian Unity Office Fund (ARSN 113 369 627)

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Key Dates

Last time and date by which proxy forms for the Unitholders' Meeting must be received	Sunday, 15 December 2024 at 10.00 am (AEDT)
Time and date for determining eligibility to vote at the Unitholders' Meeting (Voting Record Date)	Sunday, 15 December 2024 at 10.00 am (AEDT)
Unitholders' Meeting – to be held at 271 Spring Street, Melbourne VIC 3000	Tuesday, 17 December 2024 at 10.00 am (AEDT)

Letter from the Chairman

21 November 2024

Dear AOF Unitholder,

On behalf of the Directors of Australian Unity Investment Real Estate Limited (**AUIREL**), as responsible entity of Australian Unity Office Fund (**AOF** or **Fund**), we are pleased to present this Explanatory Memorandum and Notice of Extraordinary General Meeting in relation to the proposal to dispose of AOF's main undertaking, including returning net proceeds of asset sales to Unitholders, and ultimately to delist and wind up AOF (the **Proposal**). To facilitate implementation of the Proposal, Unitholders will be asked to approve two resolutions at a Unitholder Meeting.

Overview of the Proposal

The Proposal comprises the following components which are described in further detail in Section 1 and Section 5:

- (a) The **Asset Realisation and Return of Sale Proceeds**¹: being the disposal of the Fund's main undertaking and cessation of its real estate investment business, including:
 - (i) the return of net proceeds to Unitholders from the sales of 2-10 Valentine Avenue, Parramatta (**Valentine Avenue**) and 150 Charlotte Street, Brisbane (**Charlotte Street**); and
 - (ii) the sale of, and return of net proceeds to Unitholders from, AOF's remaining investment property at 468 St Kilda Road, Melbourne (**St Kilda Road**) on terms and conditions as determined by Directors, acting in the best interests of Unitholders;
- (b) The **Delisting**: being the removal of AOF from the Official List of the ASX, but not before the Asset Realisation and Return of Sale Proceeds; and
- (c) The **Winding Up**: following the Delisting, winding up of the Fund, including the return of any residual cash to Unitholders, in the manner determined by the Directors to be most efficient for Unitholders, with deregistration of the Fund by ASIC to follow.

Separate from the Proposal, on 22 August 2024, AOF announced the sale of 64 Northbourne Avenue, Canberra (**Northbourne Avenue**) for a net sale price of \$21.2 million. Following settlement of Northbourne Avenue on 15 November 2024, AOF intends to pay a special distribution of 9 cents per Unit (**Northbourne Avenue Special Distribution**) on or around 6 December 2024.

As previously announced by AUIREL, including on 22 August 2024, AUIREL has been in discussions with prospective purchasers regarding the potential sale of St Kilda Road. AUIREL confirms it has entered into a non-binding Heads of Agreement with a potential purchaser of St Kilda Road reflecting estimated net proceeds, excluding disposal costs, of \$41.75 million.

¹ As noted in Section 5.2.1, if the Directors determine it to be in the best interests of Unitholders, AUIREL may withhold a portion of the net proceeds from the sales of Valentine Avenue, Charlotte Street or St Kilda Road to fund the redemption of Units during Winding Up. This will not impact the overall return that Unitholders receive from the Proposal and the Asset Realisation and Return of Sale Proceeds will still be considered to be complete despite this withholding.

If the Proposal is implemented, AUIREL expects to return aggregate proceeds to Unitholders of between \$1.20 to \$1.23 per Unit². This assumes settlement of St Kilda Road for net proceeds of \$41.75 million and includes the Northbourne Avenue Special Distribution of 9 cents per Unit. Excluding the Northbourne Avenue Special Distribution, which is expected to be paid to Unitholders on or around 6 December 2024, AUIREL expects to return aggregate proceeds to Unitholders from the Proposal of between \$1.11 and \$1.14 per Unit³.

AUIREL directors' recommendation in relation to the Proposal

The Explanatory Memorandum sets out the Directors' consideration of the potential advantages and disadvantages of the Proposal as set out in detail in Sections 4.7 and 4.8.

The advantages of the Proposal include that the Proposal provides Unitholders with the opportunity to receive the net proceeds from the sales of Valentine Avenue, Charlotte Street and St Kilda Road, which cannot be returned to Unitholders without Unitholder approval of the Proposal.

The Proposal also provides Unitholders with an exit mechanism from their investment in the Fund and is consistent with AUIREL's strategy to maximise returns for Unitholders. The Directors do not consider that there is currently any viable alternative strategic proposal for AOF.

The disadvantages of the Proposal include that Unitholders will lose their exposure to AOF and its remaining investment property at St Kilda Road. There is no certainty as to the return that will ultimately be received by Unitholders under the Proposal given that there is no contract of sale currently in place for the sale of St Kilda Road, as well as uncertainties about the final costs of termination and winding up.

Having given the matter careful consideration, Directors believe that the advantages of the Proposal outweigh its disadvantages and that the Proposal is in the best interests of Unitholders and therefore Directors unanimously recommend that Unitholders vote in favour of the Proposal, in the absence of a superior proposal.

Each Director intends to vote in favour of the Proposal in respect of all Units they own or control, in the absence of a superior proposal.⁴

AOF major Unitholders' support of the Proposal

As part of finalising the Proposal, AUIREL has engaged with certain Unitholders who, as at the time of consultation, individually held relevant interests in 5% or more of Units on issue and were therefore substantial holders of AOF.

Following this engagement, four Unitholders with a combined holding of approximately 42.1% of AOF Units⁵ have indicated their current intention to vote in favour of the Proposal, in the absence of a superior proposal.

Australian Unity support of the Proposal

Australian Unity Funds Management Limited (**AUFM**) and Australian Unity Property Management Pty Limited (**AUPM**) are supportive of the Proposal. To demonstrate this support, and subject to Unitholders approving the Proposal, AUFM and AUPM have agreed not to charge from 1 July 2024

² Unitholders will only be eligible to receive this aggregate return if they are on the Register on the record date for the Northbourne Avenue Special Distribution and each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

³ Unitholders will only be eligible to receive this aggregate return if they are on the Register on each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

⁴ Currently, Peter Day is the only Director who holds Units (58,000 Units as at the date of this Explanatory Memorandum).

⁵ Based on confirmation of holdings provided by each relevant Unitholder as at the date of their intention statement.

the property management fee, other property related service fees and accounting fees that these entities are entitled to under AOF's Property Management Services Agreement and Investment Management Services Agreement.

AUIREL as Responsible Entity of the Fund is entitled to a management fee which will continue to be paid until Winding Up is complete.

Australian Unity Limited (ACN 087 648 888) and each of its subsidiaries (or associates of those persons) are not entitled to vote on the resolutions to implement the Proposal and the Responsible Entity must disregard any votes by or on behalf of those parties.

AOF quarterly distributions

As a result of seeking Unitholder approval for the Proposal, AUIREL does not currently intend to declare quarterly distributions going forward. If the Proposal is not approved and does not proceed, AUIREL will provide an update to Unitholders as to its intentions in this regard.

Unitholders' Meeting and resolutions to implement the Proposal

At the Unitholders' Meeting, Unitholders will be asked to approve two resolutions to facilitate implementation of the Proposal:

- As the Proposal includes the sale by the Fund of its final investment property and the cessation of its real estate investment business and the return of proceeds to Unitholders through the Asset Realisation and Return of Sale Proceeds, AUIREL is seeking Unitholder approval for the disposal of AOF's main undertaking (**Resolution 1**).
- AUIREL is also seeking Unitholder approval for the Delisting, to be effected at a time determined by ASX, but conditional on the approval of Resolution 1, and not before the completion of the Asset Realisation and Return of Sale Proceeds (**Resolution 2**).

Resolution 1 requires approval by a majority of votes cast by Unitholders who are entitled to vote on the resolution. If Resolution 1 is not approved, the Proposal will not be implemented. This means the Asset Realisation and Return of Sale Proceeds will not proceed, Unitholders will not receive the proceeds from the sales of Valentine Avenue and Charlotte Street in the near term and AOF will not have the ability to sell St Kilda Road and return proceeds of that sale to Unitholders. In those circumstances, AOF would face an uncertain future.

Resolution 2 is a special resolution and requires approval by at least 75% of votes cast by Unitholders who are entitled to vote on the resolution. Resolution 2 will not be given effect unless Resolution 1 is passed. If Resolution 1 is passed, but Resolution 2 is not passed, then AUIREL still proposes to proceed to implement the Proposal. It will implement the Asset Realisation and Return of Sale Proceeds and then seek Delisting of the Fund by ASX given that, in AUIREL's view, AOF will cease to be an entity appropriate for listing following the Asset Realisation and Return of Sale Proceeds, regardless of whether Resolution 2 has been passed. If ASX agrees, it would then proceed to Winding Up.

Given the powers of AUIREL under the Constitution, no additional resolution of Unitholders is required to approve the Winding Up if the Asset Realisation and Return of Sale Proceeds and Delisting proceed.

Further detail on the resolutions, including the interrelationship between each of them, is set out in Section 3.

The Unitholders' Meeting will be held at 10.00am on Tuesday, 17 December 2024. Further detail on how to attend and vote at the Unitholders' Meeting is set out in the Notice of Meeting that is annexed to this Explanatory Memorandum.

If you have any questions about the Explanatory Memorandum, please consult an independent and appropriately licensed and authorised professional adviser.

If you require any further information in relation to the Explanatory Memorandum, please call the AOF Unitholder information line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) at any time between 9:00am to 5:00pm (AEDT time) Monday to Friday (excluding public holidays).

On behalf of the Directors, I would like to take this opportunity to thank you in advance for your support of AOF. The Directors believe that the Proposal is in the best interests of Unitholders and encourage you to vote in favour of the Proposal.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Day', with a long horizontal stroke extending to the right.

Peter Day

Independent Non-Executive Director and Chairman

Australian Unity Investment Real Estate Limited

1 Overview of the Proposal

1.1 The Proposal

In the absence of Directors determining that there has been a superior proposal, and approval by the requisite majorities of Unitholders at a Unitholder Meeting, AUIREL intends to implement the Proposal.

The Proposal comprises the following components:

- (a) the disposal of the Fund's main undertaking and the cessation of its real estate investment business, including:
 - (i) the return of net proceeds to Unitholders from the sales of Valentine Avenue and Charlotte Street, after providing for current and future liabilities of the Fund, as soon as practicable following settlement of the asset sales which is expected to occur in March 2025 and April 2025 respectively;
 - (ii) the entry into a contract of sale for AOF's last remaining investment property, St Kilda Road, on terms and conditions as determined by the Directors, acting in the best interests of Unitholders;
 - (iii) the return of net proceeds to Unitholders from the sale of St Kilda Road, after providing for current and future liabilities of the Fund; and
 - (iv) the return of remaining cash on balance sheet to Unitholders as soon as practicable, having provided for the expected liabilities of the Fund during Winding Up (with any residual cash after payment of those liabilities to be returned to Unitholders during Winding Up)(the **Asset Realisation and Return of Sale Proceeds**⁶); and
- (b) the removal of the Fund from the Official List of the ASX but not before the Asset Realisation and Return of Sale Proceeds (the **Delisting**); and
- (c) following the Delisting, formally terminating and winding up of the Fund, including the return of any residual cash to Unitholders, in the manner determined to be most efficient for Unitholders by the Directors, with deregistration of the Fund by ASIC to follow (the **Winding Up**).

Separate from the Proposal, AUIREL intends to pay the Northbourne Avenue Special Distribution of 9 cents per Unit on or around 6 December 2024.

AUIREL confirms it has entered into a non-binding Heads of Agreement with a potential purchaser of St Kilda Road reflecting estimated net proceeds, excluding disposal costs, of \$41.75 million.

If the Proposal is implemented, AUIREL expects to return aggregate proceeds to Unitholders of between \$1.20 to \$1.23 per Unit⁷. This assumes settlement of St Kilda Road for net proceeds of \$41.75 million and includes the Northbourne Avenue Special Distribution of 9

⁶ As noted in Section 5.2.1, if the Directors determine it to be in the best interests of Unitholders, AUIREL may withhold a portion of the net proceeds from the sales of Valentine Avenue, Charlotte Street or St Kilda Road to fund the redemption of Units during Winding Up. This will not impact the overall return that Unitholders receive from the Proposal and the Asset Realisation and Return of Sale Proceeds will still be considered to be complete despite this withholding.

⁷ Unitholders will only be eligible to receive this aggregate return if they are on the Register on the record date for the Northbourne Avenue Special Distribution and each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

cents per Unit. Excluding the Northbourne Avenue Special Distribution, which is expected to be paid to Unitholders on or around 6 December 2024, AUIREL expects to return aggregate proceeds to Unitholders from the Proposal of between \$1.11 and \$1.14 per Unit⁸.

The Directors are yet to determine the precise method for the return of proceeds and cash under the Asset Realisation and Return of Sale Proceeds and Winding Up but this will proceed in the manner determined to be most efficient for Unitholders by the Directors and is currently expected to be by way of return of capital for tax purposes, including via special distribution(s). A general summary of the potential Australian income tax consequences for Unitholders is set out in Section 6 and in Appendix 2 of this Explanatory Memorandum.

1.2 Resolutions and approvals to implement the Proposal

(a) Asset Realisation and Return of Sale Proceeds (Resolution 1)

ASX Listing Rule 11.2 provides that if the Fund proposes to dispose of its main undertaking, the entity must obtain the approval of its unitholders. The main undertaking of AOF is, as it has been since the Fund's listing, to invest in real estate assets with the objective of providing unitholders with returns on their investment (whether income or capital).

As the Proposal includes the sale by the Fund of its final investment property, the cessation of its real estate investment business and the return of proceeds to Unitholders through the Asset Realisation and Return of Sale Proceeds, AUIREL is seeking Unitholder approval for the disposal of AOF's main undertaking.

(b) Delisting (Resolution 2)

In order to implement the Proposal in full, AUIREL is also seeking Unitholder approval to delist the Fund, at a time to be determined by ASX, but not before the completion of the Asset Realisation and Return of Sale Proceeds.

The ASX Delisting Conditions require that the Delisting be approved by a special resolution of Unitholders of AOF.

(c) Winding Up (no resolution required)

AOF's Constitution includes powers for AUIREL to mandatorily redeem Units and the power for AUIREL to wind up the Fund where the Fund is "terminated" by AUIREL. AUIREL has the power to terminate the Fund by giving written notice to Unitholders, and AUIREL is not required to seek specific Unitholder approval to wind up AOF.

Further detail on the resolutions, including the inter-relationship between each of them, is set out in Section 3.

⁸ Unitholders will only be eligible to receive this aggregate return if they are on the Register on each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

1.3 Steps to implement the Proposal and proposed timeline

The steps required to implement the Proposal are as follows⁹:

EVENT	DESCRIPTION	DATES
Notice of Meeting	Publication of the Notice of Meeting, seeking Unitholder approval for the Proposal.	21 November 2024
Unitholder Meeting and Approval	Unitholders' Meeting to consider the Resolutions in the manner set out in this Explanatory Memorandum.	Tuesday, 17 December 2024
Asset Realisation and Return of Sale Proceeds (Valentine Avenue and Charlotte Street)	Following the settlements of Valentine Avenue and Charlotte Street, AUIREL will return net proceeds, after providing for current and future liabilities of the Fund, from these sales to Unitholders.	During March and April 2025
Asset Realisation and Return of Sale Proceeds (St Kilda Road)	AUIREL is actively seeking to sell its remaining investment property, St Kilda Road, and return net proceeds, after providing for current and future liabilities of the Fund, from this sale to Unitholders.	The sale process is ongoing and AUIREL is not able to estimate with certainty when it may conclude
Delisting	<p>Subject to the satisfaction of in-principle advice by ASX, and the completion of the Asset Realisation and Return of Sale Proceeds, AUIREL will take steps to delist the Fund.</p> <p>The Fund will be suspended from quotation at least two business days prior to Delisting.</p> <p>Following Delisting, the Units will no longer be able to be traded on ASX.</p>	<p>Within one month of completion of the Asset Realisation and Return of Sale Proceeds¹⁰, at a time to be determined by ASX and announced to ASX, but not before April 2025</p>

⁹ Note this timetable is indicative only and the Directors reserve the right to amend the timetable (including all dates) as required.

¹⁰ As noted in Section 5.2.1, if the Directors determine it to be in the best interests of Unitholders, AUIREL may withhold a portion of the net proceeds from the sales of Valentine Avenue, Charlotte Street or St Kilda Road to fund the redemption of Units during Winding Up. This will not impact the overall return that Unitholders receive from the Proposal and the Asset Realisation and Return of Sale Proceeds will still be considered to be complete despite this withholding.

EVENT	DESCRIPTION	DATES
Winding Up	<p>Following the Delisting, AUIREL will take steps to formally terminate and wind up the Fund in the manner determined by the Directors to be most efficient for Unitholders.</p> <p>This may include the return of any residual cash to Unitholders after payment of all liabilities associated with the Winding Up (to the extent that AUIREL's estimate of and provision for these liabilities is higher than the actual liabilities), by way of a return of capital on the existing Units and/or the redemption of some or all of their Units.</p> <p>Once the Winding Up is complete, Unitholders will cease to hold their Units.</p> <p>AUIREL will then apply to ASIC for the Fund to be deregistered.</p>	<p>Following the Delisting, but likely to be no earlier than June 2025 and may occur after this time</p>

1.4 AUIREL Board's recommendation

The Directors have considered the potential advantages and disadvantages of the Proposal. They believe that the Proposal is in the best interests of Unitholders and unanimously recommend that Unitholders vote in favour of the Proposal, in the absence of a superior proposal.

Each Director intends to vote in favour of the Proposal in respect of all Units they own or control, in the absence of a superior proposal.¹¹

The benefits and disadvantages of the Proposal set out in this Explanatory Memorandum form the basis of the Directors' recommendation.

At the date of this Explanatory Memorandum, the Directors are not aware of any superior proposal. If a superior proposal is forthcoming after the date of this Explanatory Memorandum, then the Directors may withdraw their recommendation. If this circumstance occurs after the Proposal has been approved by Unitholders at the Unitholders' Meeting, implementation of the Proposal may be paused and the superior proposal may, to the extent required by law or the ASX Listing Rules or otherwise appropriate in the context of the Unitholders' approval of the Proposal, be put to Unitholders for consideration.

In order for this to occur, the Directors would need to assess the alternative proposal as resulting in a superior outcome for Unitholders than under the current Proposal having regard to all elements of the alternative proposal.

¹¹ Currently, Peter Day is the only Director who holds Units (58,000 Units as at the date of this Explanatory Memorandum).

1.5 Benefits of the Proposal

The Directors believe there are a number of benefits of the Proposal to Unitholders, including:

- the Proposal is consistent with AOF's strategy to maximise returns for unitholders and the Directors do not consider that there is currently any viable alternative strategic proposal for AOF;
- the Proposal provides the opportunity for AOF to return net proceeds from asset sales to Unitholders which may not otherwise be returned in the short term;
- the Proposal provides Unitholders with an exit mechanism from their investment other than trading on ASX;
- by providing Unitholders with an exit mechanism from the Fund, the Proposal removes the risks for Unitholders associated with an ongoing investment in AOF; and
- upon Delisting, the Fund will not incur any of the costs associated with remaining a listed entity.

Further information in relation to the benefits of the Proposal is set out in Section 4.7.

1.6 Disadvantages associated with the Proposal

Although the Proposal is recommended by the Directors, there may be factors which lead Unitholders to vote against the Proposal, including:

- Unitholders will lose the opportunity to invest in the Fund;
- a binding contract for sale of St Kilda Road has not yet been entered into and therefore the quantum, and timing of receipt, of proceeds from the Proposal is uncertain;
- there is uncertainty on costs associated with termination and wind up of AOF and therefore uncertainty regarding the amount of final proceeds under the Proposal;
- the timing of the return of proceeds may not suit the individual circumstances of some Unitholders;
- following Delisting, there may not be an opportunity for investors to exit their investment prior to the Winding Up; and
- the taxation implications of the Proposal may not suit the individual circumstances of some Unitholders, for instance, the timing and process through which AUIREL chooses to give effect to the Winding Up may affect the time at which Unitholders recognise any capital gains or losses on their Units, which may not suit the circumstances of some Unitholders.

Further information in relation to the disadvantages of the Proposal is set out in Section 4.8.

After considering these potential disadvantages, the Directors have formed the view that the benefits of the Proposal outweigh any potential disadvantages of the Proposal, in the absence of a superior proposal.

1.7 Consequences if the resolutions are not approved and the Proposal does not proceed

1.7.1 If the Asset Realisation and Return of Sale Proceeds (Resolution 1) is not approved

If the Proposal is not approved by Unitholders by the passing of Resolution 1, the Delisting (Resolution 2) is not capable of being approved.

Unitholders will not receive the net proceeds from the sales of Valentine Avenue and Charlotte Street in the near term, and St Kilda Road will not be sold. Unitholders will retain their Units, and the Fund will continue, in the immediate term, to remain listed on ASX. The rights of Unitholders will remain unchanged. The Directors would then reassess the Fund's business plan and strategy to determine how best to maximise value for Unitholders.

AUIREL notes that ASX Listing Rule 12.3 provides that if half or more of an entity's total assets is cash or in a form readily convertible to cash, ASX may suspend quotation of the entity's securities until it invests those assets or uses them for the entity's business. Following receipt of the net proceeds from the sales of Valentine Avenue and Charlotte Street, expected to occur by April 2025, more than half of the Fund's total assets will be held as cash.

If the Fund is not able to identify suitable assets for reinvestment and redeploy these proceeds in a timely fashion, there is a risk that ASX will suspend the quotation of AOF's securities in accordance with ASX Listing Rule 12.3. ASX may further exercise its discretion under ASX Listing Rule 17.12,¹² and remove AOF from the Official List.

In the absence of any alternative proposal, the difficulties in maintaining the Fund on an 'as-is' basis, or in seeking alternative measures through which to realise value for Unitholders as outlined in Section 4.6, are expected to continue.

Due to these factors, the Fund will face an uncertain future.

1.7.2 If the Delisting (Resolution 2) is not approved

If neither Resolution 2 nor Resolution 1 is passed, the Proposal will not proceed.

If Resolution 2 is not passed, but Resolution 1 is passed, AUIREL intends to implement the Proposal.

Once the Asset Realisation and Return of Sale Proceeds are completed, the Fund will have distributed all of its remaining assets and cash, except for an amount reserved for expected liabilities of the Fund in the Winding Up. The Fund's Units will remain listed on ASX, but the Fund will not have any ongoing business operations or plans to enter into any new business activity.

AUIREL expects that in these circumstances the ASX would exercise its power to remove the Fund from the Official List as the Fund's structure and operations would not be appropriate for a listed entity and AUIREL would then proceed with the Winding Up.

1.7.3 Costs

AUIREL will have incurred costs of approximately \$250,000 in connection with the Proposal. These costs will still be borne by the Fund without the benefit of any of the potential advantages of the Proposal if it does not proceed.

¹² The ASX considers it 'appropriate' (as that term is used in ASX Listing Rule 17.12) to remove an entity whose securities have been suspended from quotation for a continuous period of 2 years: Guidance Note 33 (https://www.asx.com.au/documents/rules/gn33_removal_of_entities.pdf).

1.8 Major Unitholders' support of the Proposal

As part of finalising the Proposal, AUIREL has engaged with certain Unitholders who, as at the time of consultation, individually held relevant interests in 5% or more of Units on issue and were therefore substantial holders of AOF.

Following this engagement, four Unitholders with a combined holding of approximately 42.1% of AOF Units¹³ have indicated their current intention to vote in favour of the Proposal, in the absence of a superior proposal.

Those Unitholders are¹⁴:

- Taverners Management Pty Ltd¹⁵ holding approximately 19.4%
- Maso Capital Investments Limited¹⁶ holding approximately 9.7%
- Wilson Asset Management Group¹⁷ holding approximately 6.7%
- Valtellina Properties Pty Ltd¹⁸ holding approximately 6.3%

In providing their intention statements, the respective Unitholders have also provided consent for their intention to be included in this Explanatory Memorandum.

1.9 Australian Unity support of the Proposal

AUFM and AUPM are supportive of the Proposal. To demonstrate this support, and subject to Unitholders approving the Proposal, AUFM and AUPM have agreed not to charge from 1 July 2024 the property management fee, other property related service fees and accounting fees that these entities are entitled to under AOF's Property Management Services Agreement and Investment Management Services Agreement.

AUIREL as Responsible Entity of the Fund is entitled to a management fee which will continue to be paid until Winding Up is complete.

Australian Unity Limited (ACN 087 648 888) and each of its subsidiaries (or associates of those persons) are not entitled to vote on the resolutions to implement the Proposal and the Responsible Entity must disregard any votes by or on behalf of those parties.

1.10 Entitlement to vote

All Unitholders on the Register at the Voting Record Date (10.00 am (AEDT) Sunday, 15 December 2024) are entitled to vote at the Unitholders' Meeting, subject to the relevant voting restrictions. For further details on how to vote, please refer to Section 2 and Appendix 1.

¹³ Based on confirmation of holdings provided by each relevant Unitholder as at the date of their intention statement.

¹⁴ Percentage holdings of each Unitholder based on confirmation of holdings provided by each relevant Unitholder as at the date of their intention statement.

¹⁵ Units held by Taverners Holdings Pty Ltd and Taverners J Pty Ltd ATF Taverners International Unit Trust (Taverners).

¹⁶ Units held by Maso Capital Investments Limited, Blackwell Partners LLC – Series A, Star V Partners LLC and Maso Capital Partners Limited (Maso Capital).

¹⁷ Units held by Wilson Asset Management (International) Pty Limited.

¹⁸ Units held by Valtellina Properties Pty Ltd, Bertalli Family Foundation Pty Ltd and Valtellina Properties Pty Ltd.

1.11 Tax considerations for Unitholders

A general summary of the Australian tax treatment of the Proposal for Unitholders is set out in Section 6 and in Appendix 2 of this Explanatory Memorandum.

Your decision regarding how to vote on the Proposal should be made only after consultation with your financial, legal, taxation or other professional adviser based on your own investment objectives, financial situation, taxation position and particular needs.

1.12 How to obtain further information

For further information, you should:

- contact your financial, taxation, legal or other professional adviser;
- call the Unitholder Information Line on 1300 737 760 (free call from within Australia) or +61 2 9290 9600 (from outside Australia); or
- contact the Registry at the following email address australianunity@boardroom.com.au.

2 How to vote

Action required by Unitholders

Step 1 Read the entire document carefully

This is an important document. You should read it in its entirety and consult your professional advisor if you have any queries.

Step 2 Vote on the Resolutions

Your vote is important. You may vote in person or by proxy.

Voting eligibility

The Responsible Entity has determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Unitholders' Meeting are those Unitholders on the Register at the Voting Record Date (10.00 am (AEDT) Sunday, 15 December 2024), subject to the voting exclusions for Resolution 1 and Resolution 2 as described at sections 3.2 and 3.3.

Voting in person

If you wish to **vote in person**, you should attend the Unitholders' Meeting at 271 Spring Street, Melbourne VIC 3000 on Tuesday, 17 December 2024 at 10.00 am (AEDT).

Voting by proxy

If you wish to vote by proxy, you must complete and return the attached proxy form so that it is received no later than 10.00 am (AEDT) on Sunday 15 December 2024.

Completed proxy forms may be lodged using the reply paid envelope or delivered:

- **In person at:**
 - Level 8, 210 George Street, Sydney NSW 2000
- **By mail to:**
 - Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001
- **By fax to +61 2 9290 9655**
- **Online at:**
 - <https://www.votingonline.com.au/aofegm2024>

Refer to the enclosed proxy form for more information about how to complete a proxy form.

Further information on voting is set out in the Notice of Meeting in Appendix 1.

3 Description of resolutions

3.1 Purpose of the Meeting

The purpose of the Unitholders' Meeting is to consider and, if thought fit, pass resolutions that are necessary to implement the Proposal. Each resolution, and an associated explanation, is set out below.

Resolution 1, an ordinary resolution to be decided on a poll, will not be passed unless more than 50% of the votes cast on the resolution, in person or by proxy, by Unitholders entitled to vote on the resolution are cast in favour of the resolution.

Resolution 2, a special resolution to be decided on a poll, will not be passed unless at least 75% of the votes cast on the resolution, in person or by proxy, by Unitholders entitled to vote on the resolution are cast in favour of the resolution.

3.2 Resolution 1

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the Proposal as described in this Explanatory Memorandum, on the terms and conditions set out in section 5 of this Explanatory Memorandum.”

Voting exclusion statement:

The Responsible Entity will disregard any votes in favour of this Resolution by, or on behalf of:

- Australian Unity Limited (ACN 087 648 888) and each of its subsidiaries, or any other person who will obtain a material benefit as a result of the Proposal; or
- an associate of those persons,

except a benefit solely by reason of being a holder of AOF Units, and save where it is cast by:

- a person as proxy or attorney for another person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that they are not excluded from voting, and are not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

The Chair currently intends to vote all undirected proxies in favour of this Resolution.

3.3 Resolution 2

To consider and, if thought fit, pass the following resolution, as a **special resolution**:

“That, subject to and conditional on the passing of Resolution 1, and subject to the Asset Realisation and Return of Sale Proceeds being completed to the satisfaction of the Directors and to ASX granting all necessary approvals, for the purposes of ASX Listing Rule 17.11 and for all other purposes, the Fund be removed from the Official List of ASX on a date to be determined by ASX.”

The Responsible Entity will disregard any votes in favour of this Resolution by, or on behalf of Australian Unity Limited (ACN 087 648 888) and each of its subsidiaries or an associate of those persons.

The Chair currently intends to vote all undirected proxies in favour of this Resolution.

3.4 Entitlement to attend and vote at the Unitholders’ Meeting

All Unitholders on the Register at the Voting Record Date (which is 10.00 am (AEDT) on Sunday, 15 December 2024) are entitled to attend and vote at the Unitholders’ Meeting, either in person or by proxy, unless excluded from voting for the reasons set out in Sections 3.2 and 3.3.

3.5 Interrelationship between resolutions

If Resolution 1 is not passed, then the Proposal will not be implemented.

If Resolution 1 is passed but Resolution 2 is not passed, AUIREL still intends to sell St Kilda Road and, as sales of the Fund’s assets settle, return proceeds to Unitholders (being the Asset Realisation and Return of Sale Proceeds).

AUIREL also intends to proceed to Delisting and Winding Up. However, because the Delisting would not have been approved by Unitholders, AUIREL would need to consult with ASX in relation to the timing of a potential delisting and the termination and winding up steps.

Once the Asset Realisation and Return of Sale Proceeds are completed, the Fund will have distributed all of its remaining assets and cash, except for an amount reserved for expected liabilities of the Fund in Winding Up.

AUIREL expects that in these circumstances the ASX would exercise its power to remove the Fund from the Official List as the Fund’s structure and operations would not be appropriate for a listed entity and AUIREL would then proceed with the formal termination and Winding Up steps.

Resolution 2 is conditional on Resolution 1 being passed. If Resolution 2 is passed but Resolution 1 is not passed, no part of the Proposal will occur.

The inter-relationship between these resolutions is summarised in the table below.

Resolution	Approved?	Outcome
Resolution 1	Yes	AUIREL will complete the Asset Realisation and Return of Sale Proceeds, and ultimately proceed to the Delisting and Winding Up (subject to consultation with ASX on timing of delisting in the event that Resolution 2 is not passed). See section 5 for further details regarding the implementation steps for the Proposal.
	No	The Proposal will not be implemented.
Resolution 2	Yes	Delisting and Winding Up will occur if Resolution 1 has passed and subject to the Asset Realisation and Return of Sale Proceeds being completed.
	No	If Resolution 1 has not passed, the Proposal will not be implemented. If Resolution 1 has passed, AOF will still proceed with the Asset Realisation and Return of Sale Proceeds, and seek to commence the Delisting and Winding Up. AUIREL would consult with ASX in relation to the timing of the Delisting and expects that ASX will ultimately delist the Fund in any event.

The Directors unanimously recommend that you vote in favour of both Resolutions, in the absence of a superior proposal, to enable the Proposal to be fully implemented.

4 Reasons for the Proposal

4.1 Investment mandate of the Fund

AOF is an ASX-listed real estate investment trust. The Fund's strategy since the time of listing in June 2016 has been to invest in real estate assets with the objective of providing Unitholders with returns on their investment (whether income or capital). To deliver on this strategy, the Fund has undertaken leasing, asset repositioning, acquisitions and divestments.

4.2 The Fund's portfolio

The Fund has invested within its mandate since listing. The tables below provide a summary of the Fund's property portfolio as at 30 June 2024.

Investment Property

Property	Independent valuation (\$m)	Status of property	Expected settlement date
St Kilda Road	62.00 ¹⁹	Investment property	No binding contract for sale currently in place

Properties held for sale

Property	Net sale price ²⁰ (\$m)	Status of property	Expected settlement date
Northbourne Avenue	21.20	Held for sale	November 2024 ²¹
Valentine Avenue	80.50	Held for sale	March 2025
Charlotte Street	61.50	Held for sale	April 2025

¹⁹ AUIREL has entered into the non-binding heads of agreement for St Kilda Road reflecting estimated net proceeds, excluding disposal costs, of \$41.75 million.

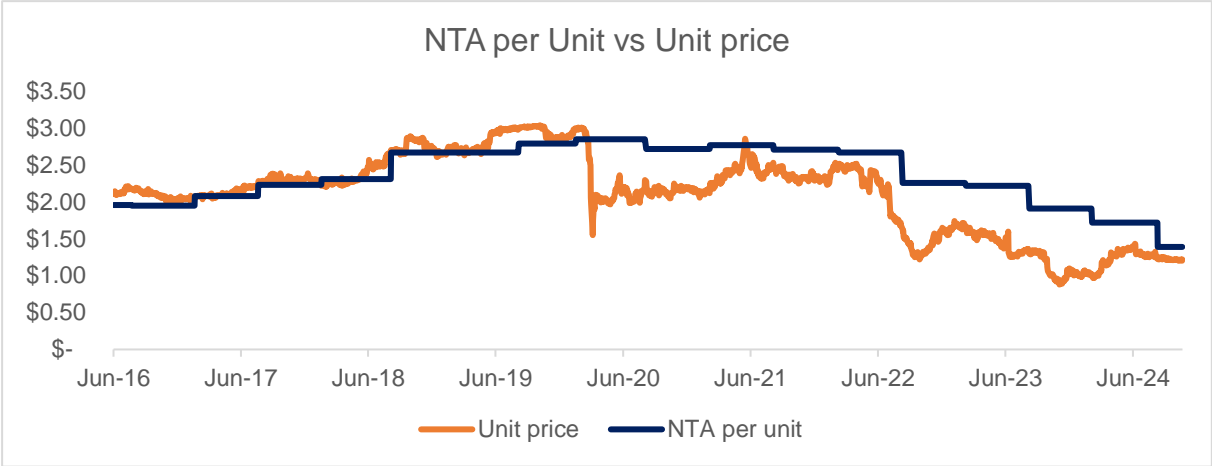
²⁰ Net sale price, excluding disposal costs.

²¹ Northbourne Avenue settled on 15 November 2024.

4.3 Performance of the Fund

From listing in June 2016 to early 2020, the Fund's Unit price traded at, or around, the level of the Fund's Net Tangible Asset (NTA) per Unit backing. However, from March 2020, the Unit price has traded below NTA per Unit.

The chart below compares the Unit price with the Fund's NTA per Unit since listing.



The Fund's Unit price generally performed in line with, or better than, the NTA per Unit from listing in June 2016 until early 2020. In late 2018 and during 2019 the Fund received a number of proposals from third parties to acquire all the units of the Fund. This culminated with Directors recommending in late 2019 that Unitholders should vote in favour of the proposal to have their Units acquired for \$3.04 cash per unit. Unitholders ultimately did not support that proposal.

The general decline in the Unit price and the trading discount to NTA per Unit since early 2020 was a result of challenges in the market for office properties as a result of the COVID-19 pandemic. This trading discount was further impacted in recent years by major tenant expiries and general market conditions, including the impact of higher interest rates.

The NTA per Unit and Unit price in June 2023 reflected a 22.5 cent per Unit special distribution following the sales of 30 Pirie Street Adelaide, 2 Eden Park Drive Macquarie Park and 5 Eden Park Drive Macquarie Park.

The NTA per Unit and Unit price in June 2024 reflect a 6.0 cent per Unit special distribution following the sale 96 York Street Beenleigh.

4.4 Board and management initiatives in response to Fund performance

The strategy of the Fund has evolved over time and has been responsive to both market conditions and unitholder feedback as AUIREL has sought the best strategic means to maximise unitholder value.

From listing in 2016 until late 2020, the Fund's strategy predominately focussed upon growing net property income and delivering sustainable income returns with the potential for capital growth over the long-term. The Fund was impacted by the COVID-19 pandemic and in

February 2021, AOF announced a strategic assessment to “examine all options to maximise returns to, and unlock value for, unitholders”.

This strategy and associated management activities have evolved in recent years.

4.4.1 2021 Strategic Review

In February 2021, as it navigated through the uncertain environment due to the COVID-19 pandemic, with particular pressures on office assets, and with Unitholder value threatened by units trading on ASX at a significant discount to NTA, AUIREL initiated a strategic assessment, noting:

“AUIREL remains focused on delivering the best possible returns for unitholders. AOF’s portfolio remains well positioned, however AOF’s trading price continues to reflect a significant discount to NTA. AUIREL Directors have initiated a strategic assessment to examine all options to maximise returns to, and unlock value for, unitholders”.

In mid-2021, the Fund announced the outcome of this assessment, which involved refinements to its strategy, noting the maintenance of an office focus in metropolitan and CBD markets, but with this “to be complemented by a targeted and diversified portfolio of Australian real estate assets”.

This strategy refinement included a proposed merger in late 2021 with the Australian Unity Diversified Property Fund (**DPF**), which did not proceed following Unitholder feedback.

4.4.2 Exploration of whole of portfolio proposal

At the time of the termination of the DPF merger in early 2022, the Fund confirmed its continued focus on initiatives to maximise value for Unitholders. This was informed by the Fund’s leasing profile, including that (at that time) the Fund’s three largest tenants (representing approximately 59% of the Fund’s gross income at 31 December 2021) had leases that were due to expire between 30 June 2022 and 30 June 2024. The Fund announced that AUIREL was “reviewing the Scheme’s objective and strategy in the context of the Scheme’s future income profile and asset refurbishment and repositioning strategies”.

At this time, while AUIREL remained committed to maximising unitholder returns, it began assessing options for its revised strategy including divesting some or all assets and returning capital to Unitholders and considering a whole of portfolio sale via a corporate transaction.

On 30 May 2022, AOF announced that it had received a non-binding, indicative proposal from Aliro Group, on behalf of the Aliro Group Office Value Fund (**Aliro**) to acquire all the issued Units in AOF by way of a trust scheme. However, after commencing a significant due diligence process, in July 2022 Aliro advised that a deterioration of market conditions had resulted in it being unable to arrive at an offer price that could meet its investment objectives as well as being at a level that Aliro believed would be acceptable for consideration by AOF Unitholders.

4.4.3 Commencement of asset sales

Consequently, the Fund announced its ‘refined strategy’ in August 2022, which was to maximise returns for Unitholders through:

- (a) owning Australian real estate assets in metropolitan and CBD markets;
- (b) generating income by delivering and maintaining sustainable occupancy levels;
- (c) divesting assets to make capital available;
- (d) as appropriate, recycle available capital to refurbish and reposition assets; and

- (e) exploring other value maximisation initiatives.

Pursuant to this strategy, in FY23, AUIREL began to realise assets, with the following assets sold:

- (a) 30 Pirie St, Adelaide, with settlement in December 2022;
- (b) 2 Eden Park Drive, Macquarie Park, with settlement in February 2023; and
- (c) 5 Eden Park Drive, Macquarie Park, with settlement in March 2023.

4.4.4 Return Maximisation Strategy

The Fund's value maximisation strategy was further refined in August 2023, with the Fund's overall investment objective and strategy being to maximise returns for Unitholders through:

- (a) owning Australian real estate assets in metropolitan and CBD markets;
- (b) generating income by delivering and maintaining sustainable occupancy levels, including through repositioning assets; and
- (c) as appropriate, divesting assets and returning capital to unitholders,

(the **Return Maximisation Strategy**).

In accordance with the Return Maximisation Strategy, the Fund has continued to undertake business as usual activities across its assets, including:

- (a) committing capital expenditure to the refurbishment of 2 – 10 Valentine Avenue and progressing with assessments of potential alternate use strategies for AOF's properties; and
- (b) the sales of:
 - (i) 96 York Street, Beenleigh in January 2024, with settlement in June 2024; and
 - (ii) 150 Charlotte Street, Brisbane in April 2024, with settlement expected to occur in April 2025;
 - (iii) 2 - 10 Valentine Avenue, Parramatta in July 2024, with settlement expected to occur in March 2025;
 - (iv) 64 Northbourne Avenue, Canberra in August 2024, with settlement in mid-November 2024;

4.4.5 Consultation with ASX with respect to asset sales and AOF's main undertaking

As part of its Return Maximisation Strategy and programme of asset sales, AUIREL has, since 2022, consulted with ASX and has confirmed that ASX Listing Rules 11.2, 11.1.2 and 11.1.3 did not apply to the asset sales to date.

In more recent times, as AUIREL contemplated the sale of its final three real estate assets at Valentine Avenue, St Kilda Road and Northbourne Avenue, its consultation with ASX focused on the point at which asset sales, and the return of proceeds from those sales, may constitute the disposal of AOF's main undertaking.

As part of this consultation, ASX provided confirmation of AOF's ability to sell down from three properties to one property only on the basis that AOF announce to the market that the proceeds from the sales of Valentine Avenue and Charlotte Street would not be returned to

Unitholders unless and until AUIREL makes the determination to dispose of its main undertaking and has obtained Unitholder approval to do so in accordance with the ASX Listing Rules (**ASX Sale Conditions**).

The sale of Valentine Avenue and the ASX Sale Conditions were announced by AOF on 12 July 2024.

As a result of the ASX Sale Conditions, AUIREL cannot return any proceeds from the sales of Valentine Avenue or Charlotte Street or sell the property at St Kilda Road unless the Proposal is approved by Unitholders.

4.4.6 Sale process for St Kilda Road

As previously announced by AUIREL, including on 22 August 2024, AUIREL has been in discussions with potential purchasers regarding the potential sale of St Kilda Road. AUIREL confirms it has entered into a non-binding Heads of Agreement with a potential purchaser of St Kilda Road reflecting estimated net proceeds, excluding disposal costs, of \$41.75 million.

AUIREL is unable to enter into an unconditional contract of sale for St Kilda Road unless the Proposal is approved by Unitholders.

AUIREL will continue to pursue a sale of St Kilda Road on terms which it considers to be in the best interests of Unitholders prior to the Unitholders' Meeting. To the extent there are any material developments in the sale process prior to the Unitholders' Meeting, this will be announced to ASX.

4.5 Formulation of the Proposal

It is AUIREL's view that the asset sales to date have furthered AOF's objective to maximise returns for Unitholders which have had the effect of closing the trading discount between AOF's Unit price and AOF's NTA value per Unit, and providing additional sources of operating funds and enhancing Unitholder distributions in the context of a challenging market for office property. However, as these properties (excluding St Kilda Road) are all now subject to unconditional contracts of sale, asset sales have been exhausted as a means of maximising Unitholder value without Unitholder support for the Proposal.

When formulating the Proposal, AUIREL conducted a comprehensive review of its strategy, including assessing current market conditions and seeking Unitholder feedback.

A number of alternative strategies were considered by the Directors as part of the review process, including:

- the Proposal;
- continuing to run the Fund on an 'as is' basis;
- AUIREL determining to modify AOF's strategy to pursue an expansion strategy. This could involve further organic or inorganic growth strategies, either in office properties only or also complementary property sectors;
- AUIREL proposing to change AOF's main undertaking to pursue an alternate strategy, potentially outside of owning real estate assets; and
- sourcing third party purchasers for 100% of the Units in the Fund.

The Directors' consideration of these alternative strategic proposals is set out in further detail at section 4.6.

The Directors have unanimously concluded that it would be in the best interests of Unitholders to dispose of AOF's main undertaking and return all proceeds of asset sales to Unitholders. Accordingly, Unitholder approval for that disposal must be sought in accordance with Listing Rule 11.2.

Given the extensive process of reviewing and adapting its strategy over a period of several years as set out in section 4.4 and the assessment of its existing alternatives in section 4.6, the AUIREL board is not currently exploring alternative opportunities to realise value for Unitholders, pending the outcome of the Unitholders' Meeting. Subject to receipt of approval of the Resolutions, AUIREL intends to proceed to implement the Proposal, in the absence of a superior proposal.

4.6 AUIREL's consideration of alternative strategic proposals

In conducting the review of its strategy and determining to seek Unitholder approval for the Proposal, AUIREL formed the following views about the various alternative options available to it in seeking to maximise Unitholder returns.

4.6.1 Continuing to run the Fund on an 'as is' basis is not, in the opinion of the Directors, a viable alternative.

Remaining a listed entity and owning one asset the size of St Kilda Road would not, in the opinion of the Directors, deliver on the Return Maximisation Strategy. There would be minimal opportunity for the Fund to pay distributions to Unitholders given the operating profit from the asset would largely go to covering the costs of managing the listed entity. The Directors would also need to ensure appropriate cash retention to fund future capital expenditure and incentives associated with the asset, potentially reducing the amount of proceeds that could be returned to Unitholders from the already announced asset sales.

4.6.2 Modifying AOF's strategy to pursue an expansion strategy is not, in the opinion of the Directors, a viable alternative.

AOF's assets include the single property St Kilda Road, and the anticipated settlement amounts of Valentine Avenue (expected March 2025), and Charlotte Street (expected April 2025).

Deployment of the settlement proceeds into an expansion strategy would not be consistent with feedback received from Unitholders and, in the opinion of the Directors, would not deliver on the Return Maximisation Strategy. As such, it is not a viable alternative to the Proposal.

4.6.3 Changing AOF's main undertaking to pursue an alternate strategy, potentially outside of owning real estate assets is not, in the opinion of the Directors, a viable alternative.

Unitholders invested in AOF to gain exposure to real estate through a directly owned portfolio of assets. Without an option that would allow Unitholders to exit their investment in AOF for fair value, it would not be appropriate for the Directors to propose a change of main undertaking to pursue an alternate strategy outside of real estate. As such, it is not a viable alternative to the Proposal.

4.6.4 Sourcing third party purchasers for 100% of the Units in the Fund is not, in the opinion of the Directors, a viable alternative.

As detailed at 4.4.2, in mid-2022 AOF announced that it had received a proposal from Aliro to acquire all the issued Units in AOF by way of a trust scheme. The proposal did not proceed as a result of the deterioration of market conditions. AOF also had previous offers for 100% of the Units in the Fund during 2018, 2019 and early 2020, which did not proceed to implementation for a range of reasons, including lack of Unitholder support.

During or since the Aliro proposal, no alternative third party purchasers have formally expressed interest in acquiring the Units in the Fund. The Directors believes that the likelihood of any approach is low. However, if any such alternative proposals are received, the Directors will assess them to determine if they would result in a superior outcome for Unitholders compared to the Proposal.

4.7 Reasons to vote in favour of the Proposal

The Directors unanimously recommend that Unitholders vote in favour of the Resolutions to approve the Proposal, subject to no superior proposal being received. Each Director intends to vote in favour of the Proposal in respect of all Units they own or control, in the absence of a superior proposal.²²

Reasons to vote in favour of the Proposal include:

4.7.1 The Proposal is consistent with AOF's strategy to maximise returns for Unitholders and the Directors do not consider that there is currently any viable alternative strategic proposal for AOF

As described in detail in Sections 4.4 to 4.6, the Directors have, over a number of years, continuously reviewed AOF's strategy and pivoted their strategic position to maximise returns for Unitholders.

The Directors have concluded that, at this time, there is no other viable strategic alternative to the Proposal which will better maximise returns for Unitholders.

As such the Directors have determined that the Proposal is in the best interests of Unitholders and unanimously recommend that Unitholders vote in favour of the Proposal, in the absence of a superior proposal.

As at the date of the Explanatory Memorandum, the Directors are not aware of any superior proposal and consider the prospects of any superior proposal arising to be low.

4.7.2 The Proposal provides the opportunity for Unitholders to receive net proceeds from asset sales which may not otherwise be returned in the short term

The Proposal enables Unitholders to realise the value of their investment in the short term which is not possible under any other strategic alternative or if the Proposal is not approved.

As described in Section 4.4.5, due to the ASX Sale Conditions, the proceeds from the sales of Valentine Avenue and Charlotte Street can only be returned to Unitholders, and St Kilda Road can only be sold and the proceeds returned to Unitholders, if the Proposal is approved in accordance with the Resolutions as outlined in section 3.

If the Proposal is not approved and implemented, then there is no certainty as to whether or when these proceeds will be returned to Unitholders.

4.7.3 The Proposal provides Unitholders with an exit mechanism from their investment other than trading on ASX

Trading liquidity of AOF's Units has been low relative to other ASX listed real estate companies, and trading has occurred sometimes at significant discounts to NTA. This has at times proved problematic for Unitholders wishing to exit their investment.

²² Currently, Peter Day is the only Director who holds Units (58,000 Units as at the date of this Explanatory Memorandum).

Implementation of the Proposal will ultimately provide Unitholders with an exit mechanism from their investment not subject to the historical constraints caused by trading volume and prices.

If the Proposal is not approved and implemented, the only means of exit available to the majority of Unitholders will continue to be via trading on the ASX.

4.7.4 By providing Unitholders with an exit mechanism from the Fund, the Proposal removes the risks for Unitholders associated with an ongoing investment in AOF

There are a number of risks associated with Unitholders' investment in AOF. A summary of these risks are set out below.

As a result of the COVID-19 pandemic, rising interest rates and other market factors, a number of these risks have transpired and remain.

The Proposal provides Unitholders with an opportunity to exit their investment so that they do not continue to be subject to these risks.

- **Returns from investment risk:** Returns from property investment assets largely depend on the rental income generated from the property and the expenses incurred in their operation, including the management and maintenance of the property as well as changes in the market value of property. Various factors may adversely impact these returns, including macro-economic conditions, local real estate conditions and other external factors.
- **Tenancy default, non-renewal and occupancy risk:** AOF's future financial performance is dependent on its ability to lease existing property space that is vacant, or that becomes vacant on expiry of leases, on economically favourable terms. There is a risk to income if AOF is unable to lease vacant space, or re-lease space that becomes vacant on expiry of leases, or tenants default on their rental obligations under the leases with AOF. Insolvency and financial distress of AOF's tenants may also reduce income received from AOF's remaining investment property. A reduction in income from AOF's remaining investment property would reduce the cashflow available for distribution to Unitholders.
- **Acquisition risk:** If AUIREL determines to pursue a strategy that involves the acquisition of assets, there will be risks associated with that strategy. These risks could include unexpected problems or other latent liabilities such as the existence of environmental liabilities.
- **Cash flow risk:** AOF's ability to fulfill its obligations depends on the future performance and cash flow of its business which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond its control. Significant expenditures associated with property investment, such as maintenance costs, property rates and taxes, are generally not reduced when circumstances cause a reduction in revenue from the investment. Under these circumstances, there is a risk that the cash flow of AOF, and distributions to unitholders, may be adversely affected.
- **Access to capital:** Real estate investment is capital intensive. AUIREL's ability to raise funds in the future on favourable terms depends on a number of factors including general economic conditions, political, capital and credit market conditions and the reputation, performance and financial strength of AOF's business. Many of these factors are outside of AUIREL's control and may increase the cost and reduce the availability of capital.
- **Funding and refinancing risk:** If AUIREL determines to pursue a strategy that involves the acquisition of assets, AUIREL may partly rely on debt funding. There is a risk that AUIREL is unable to attract funding, which may affect its ability to make

future acquisitions or meet future capital expenditure needs, which in turn could adversely affect the growth of AOF. An inability to refinance any debt (either on acceptable terms or at all) or any increase in the cost of funding, may also adversely impact the performance and the financial position of AOF.

- **Liquidity risk:** There is a risk that AOF may encounter difficulty in meeting obligations associated with financial liabilities.
- **Asset value risk:** Asset values are affected by many factors including prevailing market conditions, risk appetite, volume of sales, the ability to procure tenants, contracted rental returns, operating, maintenance and refurbishment expenses and the funding environment. Asset value declines may increase gearing levels and their proximity to covenant limits, which may ultimately have an adverse effect on AOF.
- **Key personnel risk:** AOF is reliant on a number of personnel to manage the day-to-day requirements of the business. Loss of such personnel, or inability to attract suitably qualified personnel, may have an adverse impact on AOF's performance.
- **Real estate property prices and illiquid investment risk:** Downward market pressure on real estate prices could impact the value of AOF's asset and would have a negative impact on its NTA. This may have an adverse impact on the performance and the financial position of AOF.
- **Interest rate risk:** If debt was drawn in the future, AOF's interest cost on floating rate debt will increase if benchmark interest rates increase. This would reduce earnings and cashflow available for distribution to AOF Unitholders.
- **Ongoing risk arising from a listed investment:** If AOF continues to be listed on the ASX, Unitholders will continue to be exposed to movements in the trading price of AOF's Units.

4.7.5 Upon Delisting of the Fund, the Fund will not incur any of the costs associated with remaining a listed entity.

The Fund incurs ongoing costs associated with its ASX listing. If the Proposal were fully implemented, the Fund would save these costs.

4.8 Reasons not to vote in favour of the Proposal

Although the Proposal is recommended by the Directors, there may be factors which may lead Unitholders to vote against the Proposal, some of which are:

4.8.1 Unitholders will lose the opportunity to invest in the Fund

Many investors who own Units in the Fund do so to access exposure to real estate in Australian metropolitan and CBD markets. Some investors may wish to retain or increase their exposure to AOF. This will not be possible if the Proposal is approved and implemented as all Unitholders will cease to be invested in the Fund.

However, for the reasons set out at Sections 4.6.1 and 4.6.2, the Directors do not consider it to be viable for AUIREL to continue to realise value for Unitholders by either continuing to run the Fund on an 'as is' basis, or modifying the strategy of the fund to pursue an expansion strategy.

4.8.2 A binding contract for the sale of St Kilda Road has not yet been entered into and therefore the quantum, and timing of receipt, of proceeds from the Proposal is uncertain

As described at Sections 4.4.6 and 5.2, AUIREL is actively seeking to sell its remaining investment property, St Kilda Road, and return net proceeds from this sale to Unitholders, however there is currently no contract for the sale of St Kilda Road.

AUIREL has been in discussions with potential purchasers regarding the potential sale of St Kilda Road. AUIREL confirms it has entered into a non-binding Heads of Agreement with a potential purchaser of St Kilda Road reflecting estimated net proceeds, excluding disposal costs, of \$41.75 million.

Certain details regarding the sale of St Kilda Road, including settlement date, and other material terms and conditions of the sale (being part of the Proposal which constitutes the disposal of the Fund's main undertaking) cannot be provided at this time.

While AUIREL will always seek the best possible sale terms in the interests of unitholders, AUIREL is not able to state with certainty the terms upon which this future sale will be made or if it will be made.

AUIREL expects to return aggregate proceeds to Unitholders from the Northbourne Avenue Special Distribution and the Proposal of between \$1.20 and \$1.23 per Unit²³. This assumes settlement of St Kilda Road for net proceeds of \$41.75 million and includes the Northbourne Avenue Special Distribution of 9 cents per Unit. Excluding the Northbourne Avenue Special Distribution, which is expected to be paid to Unitholders on or around 6 December 2024, AUIREL expects to return aggregate proceeds to Unitholders from the Proposal of between \$1.11 and \$1.14 per Unit²⁴.

However, as the sale process for St Kilda Road is ongoing, both the final amount of proceeds and the timeline for receipt of final proceeds under the Proposal is subject to uncertainty.

4.8.3 There is uncertainty on costs associated with termination and wind up of AOF and therefore uncertainty on final proceeds under the Proposal

AUIREL will incur costs as part of the implementation of the Proposal, including the processes for the Delisting and Winding Up, including tax and legal adviser costs. These costs will ultimately be paid from the Fund and reduce the returns to Unitholders under the Proposal.

AUIREL has considered these anticipated costs in arriving at its estimate of the aggregate proceeds to be returned to Unitholders from the Northbourne Avenue Special Distribution and the Proposal. However, costs may be more or less than those anticipated and may impact the final return under the Proposal.

4.8.4 The timing of the return of proceeds made may not suit the individual circumstances of some Unitholders

If the Proposal is implemented, AUIREL will return sale proceeds under the Asset Realisation and Return of Sale Proceeds component of the Proposal in as efficient a manner as possible after settlement of the relevant asset sales occur.

The exact payment dates of the Asset Realisation and Return of Sale Proceeds remains uncertain. This uncertainty may not suit the individual circumstances of some Unitholders.

²³ Unitholders will only be eligible to receive this aggregate return if they are on the Register on the record date for the Northbourne Avenue Special Distribution and each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

²⁴ Unitholders will only be eligible to receive this aggregate return if they are on the Register on each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

4.8.5 Following Delisting, there may not be an opportunity for investors to exit their investment prior to the Winding Up

If the Proposal is approved and proceeds to implementation, then following completion of the Asset Realisation and Return of Sale Proceeds, the Fund is proposing to proceed to Delisting and then Winding Up.

The period between Delisting and completion of the Winding Up, including any final distribution to Unitholders of residual amounts in excess of Winding Up costs (anticipated to be nominal only), may be several months.

Delisting the Fund means the Units will no longer be tradeable on ASX and Unitholders may be unable to transfer their Units. While an off-market transfer may remain possible, the only opportunity to exit the Fund available to the majority of Unitholders after this time is likely to be via the completion of the Winding Up. However, following the completion of the Asset Realisation and Return of Sale Proceeds and the Delisting, it is anticipated that the Units will be of nominal value only for all or the majority of this period.²⁵

4.8.6 The potential tax implications of the Proposal may not suit the individual circumstances of some Unitholders

Should the Proposal be implemented, Unitholders will receive distributions (in cash) by way of the Asset Realisation and Return of Sale Proceeds over time as the sale of the Fund's assets are settled. The Fund is then intending to proceed to Delisting and Winding Up. This may result in Australian tax resident Unitholders realising a final net capital gain or loss in respect of their Units, at the time that the Units are redeemed or otherwise cancelled.

A general summary of the potential Australian income tax consequences for Unitholders is set out in the Taxation Report Letter in Appendix 2. The tax treatment may vary depending on the nature and characteristics of each Unitholder and their specific circumstances.

The impact of the Proposal on foreign Unitholders may differ to the tax treatment for Australian residents. Foreign Unitholders should seek their own professional tax advice on the tax treatment of the Proposal in their jurisdiction.

The way in which the Proposal is implemented should provide that, to the extent that Unitholders may be subject to Australian income tax on their units, this tax should only arise at a time where the Unitholders should have received sufficient cash to discharge these liabilities.

However, it is possible that the tax consequences of the Proposal may not suit the individual circumstances of some Unitholders. Accordingly, Australian Unitholders should seek professional tax advice in relation to their particular circumstances.

Under the Proposal, the timing of certain tax events, and the consequences of those tax events, is dependent on certain aspects around how AUIREL implements the Proposal. For example, the timing of any capital gain or loss that is to be made by Unitholders on their Units will depend on how the Winding Up is undertaken, including when during this process AUIREL redeems or otherwise cancels units.

These timing issues may be detrimental to a Unitholder where, for example, the Unitholder is in a capital loss position on their units, but the timing and method of the Winding Up process is such that the Unitholder does not realise that capital loss for tax purposes until a later time.

²⁵ As noted in Section 5.2.1, if the Directors determine it to be in the best interests of Unitholders, AUIREL may withhold a portion of the net proceeds from the sales of Valentine Avenue, Charlotte Street or St Kilda Road to fund the redemption of Units during Winding Up. However, any such redemption, and return of substantive proceeds would be likely to occur soon after the Delisting.

However, if the Proposal is implemented, AUIREL intends to undertake all aspects of the Proposal, including the Winding Up, as expeditiously as possible and in the best interests of Unitholders.

Please refer to Section 6 and the Taxation Report Letter in Appendix 2 of this Explanatory Memorandum for more detail on the Australian tax implications to you of the Proposal.

4.9 Directors' Recommendation

In making this recommendation the Directors have in particular considered:

- the reasons why Unitholders should vote in favour of the Proposal, set out in Section 4.7;
- the reasons why Unitholders may not vote in favour of the Proposal, set out in Section 4.8.

In summary, the Directors consider that the benefits of the Proposal outweigh the potential disadvantages of the Proposal, in the absence of a superior proposal.

5 Detailed description of the Proposal

5.1 The Proposal

The Notice of Meeting accompanies this Explanatory Memorandum. The Resolutions to be put to Unitholders at the Unitholders' Meeting are set out in section 3 of this Explanatory Memorandum and the Notice of Meeting.

The Proposal comprises the following components:

- (a) the disposal of the Fund's main undertaking and the cessation of its real estate investment business, including:
 - (i) the return of net proceeds to Unitholders from the sales of Valentine Avenue and Charlotte Street, after providing for current and future liabilities of the Fund, as soon as practicable following settlement of the asset sales which is expected to occur in March 2025 and April 2025 respectively;
 - (ii) the entry into a contract of sale for AOF's last remaining investment property, St Kilda Road, on terms and conditions as determined by the Directors, acting in the best interests of Unitholders;
 - (iii) the return of net proceeds to Unitholders from the sale of St Kilda Road, after providing for current and future liabilities of the Fund; and
 - (iv) the return of remaining cash on balance sheet to Unitholders as soon as practicable, having provided for the expected liabilities of the Fund during Winding Up (with any residual cash after payment of those liabilities to be returned to Unitholders during Winding Up)

(the **Asset Realisation and Return of Sale Proceeds**²⁶); and
- (b) the removal of the Fund from the Official List of the ASX but not before the Asset Realisation and Return of Sale Proceeds (the **Delisting**); and
- (c) following the Delisting, formally terminating and winding up of the Fund, including the return of any residual cash to Unitholders, in the manner determined to be most efficient for Unitholders by the Directors, with deregistration of the Fund by ASIC to follow (the **Winding Up**).

Separate from the Proposal, AUIREL intends to pay the Northbourne Avenue Special Distribution of 9 cents per Unit on or around 6 December 2024.

AUIREL confirms it has entered into a non-binding Heads of Agreement with a potential purchaser of St Kilda Road reflecting estimated net proceeds, excluding disposal costs, of \$41.75 million.

If the Proposal is implemented, AUIREL expects to return aggregate proceeds to Unitholders of between \$1.20 to \$1.23 per Unit²⁷. This assumes settlement of St Kilda Road for net proceeds of \$41.75 million and includes the Northbourne Avenue Special Distribution of 9

²⁶ As noted in Section 5.2.1, if the Directors determine it to be in the best interests of Unitholders, AUIREL may withhold a portion of the net proceeds from the sales of Valentine Avenue, Charlotte Street or St Kilda Road to fund the redemption of Units during Winding Up. This will not impact the overall return that Unitholders receive from the Proposal and the Asset Realisation and Return of Sale Proceeds will still be considered to be complete despite this withholding.

²⁷ Unitholders will only be eligible to receive this aggregate return if they are on the Register on the record date for the Northbourne Avenue Special Distribution and each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

cents per Unit. Excluding the Northbourne Avenue Special Distribution, which is expected to be paid to Unitholders on or around 6 December 2024, AUIREL expects to return aggregate proceeds to Unitholders from the Proposal of between \$1.11 and \$1.14 per Unit²⁸.

The Directors are yet to determine the precise method for the return of proceeds and cash under the Asset Realisation and Return of Sale Proceeds and Winding Up but this will proceed in the manner determined to be most efficient for Unitholders by the Directors and is currently expected to be by way of return of capital for tax purposes, including via special distribution(s). A general summary of the potential Australian income tax consequences for Unitholders is set out in Section 6 and in Appendix 2 of this Explanatory Memorandum.

5.2 Implementation steps for the Proposal

5.2.1 Asset Realisation and Return of Sale Proceeds

(a) *Unitholder approval for disposal of the Fund's main undertaking*

ASX Listing Rule 11.2 provides that if AOF proposes to dispose of its main undertaking, the entity must first obtain the approval of its unitholders. The main undertaking of AOF is, as it has been since the Fund's listing, to invest in real estate with the objective of providing Unitholders with returns on their investment (whether income or capital).

As the Proposal involves the cessation of AOF's real estate investment business, including the sale by AOF of its last investment property being St Kilda Road and the return of proceeds, after providing for current and future liabilities of the Fund, from the sales of Valentine Avenue, Charlotte Street and St Kilda Road to Unitholders, AUIREL seeks, in accordance with Listing Rule 11.2 and the ASX Sale Conditions as described at 4.4.5, Unitholder approval for the disposal of AOF's main undertaking (being Resolution 1).

(b) *St Kilda Road to be subject to a sale process*

The Proposal includes the proposed sale of St Kilda Road on terms and conditions as determined by the Directors, acting in the best interests of Unitholders.

AUIREL has been in discussions with prospective purchasers regarding the potential sale of St Kilda Road. AUIREL confirms it has entered into a non-binding Heads of Agreement with a potential purchaser of St Kilda Road reflecting estimated net proceeds, excluding disposal costs, of \$41.75 million.

As at the date of this Explanatory Memorandum, AUIREL has not entered into any binding contract to sell St Kilda Road, but may do so in the future. Any such agreement, to the extent entered into prior to Unitholder approval, will be conditional on Unitholder approval being obtained for the disposal, which is being sought in Resolution 1. To the extent there are any material developments in the sale process prior to the Unitholders' Meeting, this will be announced to ASX. Any sale will be announced to ASX in accordance with AOF's continuous disclosure obligations.

AUIREL is not able to state with certainty the terms upon which this future sale will be made or if it will be made. The timeline for implementation of the Proposal is therefore also subject to uncertainty.

²⁸ Unitholders will only be eligible to receive this aggregate return if they are on the Register on each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

(c) *Settlement of the asset sales and return of proceeds*

The Proposal includes the return of sale proceeds from Valentine Avenue, Charlotte Street and St Kilda Road, following the settlement of each of those asset sales, after providing for current and future liabilities of the Fund.

The settlement of the sales of Valentine Avenue and Charlotte Street are currently expected to occur in March 2025 and April 2025 respectively and return net proceeds as described in Section 4.2.

The return from the sale of St Kilda Road as part of the Asset Realisation and Return of Sale Proceeds will reflect the net sale proceeds from St Kilda Road, after providing for current and future liabilities of the Fund. The final amount is dependent upon the sale price of St Kilda Road.

The return of remaining cash on balance sheet, having provided for the expected liabilities of AOF in winding up, will also occur as part of the Asset Realisation and Return of Sale Proceeds as soon as practicable following settlement of the last asset (with any residual cash after payment of those liabilities to be returned to Unitholders during Winding Up).

Despite the above, if the Directors determine it to be in the best interests of Unitholders, AUIREL may, during the Asset Realisation and Return of Sale Proceeds, withhold a portion of the net proceeds from the sales of Valentine Avenue, Charlotte Street or St Kilda Road to fund the redemption of Units during Winding Up. Any such redemption, and return of substantive proceeds, would be likely to occur soon after the Delisting. This will not impact the overall return that Unitholders receive from the Proposal and the Asset Realisation and Return of Sale Proceeds will still be considered to be complete despite this withholding.

If the Proposal is implemented, AUIREL expects to return aggregate proceeds to Unitholders of between \$1.20 to \$1.23 per Unit²⁹. This assumes settlement of St Kilda Road for net proceeds of \$41.75 million and includes the Northbourne Avenue Special Distribution of 9 cents per Unit. Excluding the Northbourne Avenue Special Distribution, which is expected to be paid to Unitholders on or around 6 December 2024, AUIREL expects to return aggregate proceeds to Unitholders of between \$1.11 and \$1.14 per Unit³⁰.

How these returns will be undertaken (including as income or capital, by way of distribution or redemption) will depend on the circumstances of the sale and the Fund at the relevant time, taking into account the best interests of Unitholders, but these are currently expected to be by way of return of capital for tax purposes. A general summary of the potential Australian income tax consequences for Unitholders is set out in Section 6 and in Appendix 2 of this Explanatory Memorandum.

5.2.2 The Delisting

Following the settlement of the sale of the last real estate asset and the completion of the Asset Realisation and Return of Sale Proceeds, as the intention of AUIREL is the termination and wind-up of the Fund, AUIREL intends to formally apply to ASX for removal from the Official List. If all Resolutions are passed, the Fund will be delisted prior to the Winding Up. As a result, Units in the Fund will no longer trade on the ASX and there will not be an active market for the Units.

²⁹ Unitholders will only be eligible to receive this aggregate return if they are on the Register on the record date for the Northbourne Avenue Special Distribution and each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

³⁰ Unitholders will only be eligible to receive this aggregate return if they are on the Register on each of the record dates for the distributions under the Asset Realisation and Return of Sale Proceeds and continue to hold their Units through the Winding Up.

Pursuant to the ASX Delisting Conditions set out below, in Resolution 2 AUIREL seeks Unitholder approval of its removal from the Official List by way of special resolution. Resolution 2 is conditional on Resolution 1 being approved.

ASX Delisting Conditions

The Responsible Entity has received in-principle advice from ASX that, subject to receipt of a formal application for Delisting, ASX would likely remove the Fund from the Official List of ASX, on a date to be determined by ASX in consultation with AUIREL, subject to compliance with certain conditions.

This date is anticipated to be within one month of the completion of the Asset Realisation and Return of Sale Proceeds (which will be more than one month after the date of the Unitholder approval and is anticipated to be no earlier than April 2025).

The conditions imposed by ASX on the Delisting (the **ASX Delisting Conditions**) are as follows:

- (d) The request for removal of AOF from the Official List of ASX is approved by a special resolution of Unitholders of AOF;
- (e) The notice of meeting seeking Unitholder approval for the Fund's removal from the Official List of ASX must include, in a form and substance satisfactory to ASX:
 - (i) a timetable of key dates, including the expected time and date at which the Fund will be removed from the ASX if that approval is given; and
 - (ii) a statement to the effect that the removal will take place no earlier than one month after approval is granted; and
 - (iii) a statement to the effect that if holders wish to sell their securities on ASX, they will need to do so before AOF is removed from the Official List, and, if they do not, details of the processes that will exist after AOF is removed from the Official List to allow security holders to dispose of their holdings and how they can access those processes; and
 - (iv) the information prescribed in section 2.11 of ASX Guidance Note 33, to ASX's satisfaction.
- (f) The removal of AOF from the Official List must not take place any earlier than one month after security holder approval has been obtained so that security holders have at least that period to sell their securities on ASX should they wish to do so.
- (g) AOF must apply for its securities to be suspended from quotation at least two business days before its proposed Delisting date.
- (h) AOF releases the full terms of this decision to the market upon making a formal application to ASX for its removal from the Official List of ASX.

Implications for Unitholders following removal from the ASX

Following Delisting, AOF Units will no longer be quoted and traded on ASX or any other stock exchange. This will mean that Unitholders will not be able to sell their Units "on-market" and release their investment in AOF via ASX trading.

Prior to Delisting, AOF Unitholders may continue to sell their Units on-market on ASX until two business days before the date that AOF is removed from the Official List of ASX.

AUIREL will not be creating a market for Units in the period between Delisting and completion of the Winding Up. In addition, AUIREL does not intend to accept any optional redemption requests from Unitholders and Unitholders may not be able to transfer their Units.

While an off-market transfer may remain possible, the only opportunity to exit the Fund available to the majority of Unitholders after this time is likely to be via the completion of the Winding Up. However, following the completion of the Asset Realisation and Return of Sale Proceeds and the Delisting, it is anticipated that the Units will be of nominal value only for all or the majority of this period.³¹

AOF will no longer be regulated by the ASX Listing Rules

Following Delisting, AOF will no longer be subject to the ASX Listing Rules. This means that Unitholders will not have the protection provided by the Listing Rule requirements, including continuous disclosure obligations under the ASX Listing Rules.

If, following Delisting and prior to completion of the Winding Up, AOF has more than 100 Unitholders (as a result of offers that required it to provide a product disclosure statement under the Corporations Act), it will be an “unlisted disclosing entity” under the Corporations Act. Accordingly, if this is the case, it will continue to be subject to continuous disclosure obligations under the Corporations Act.

It is anticipated that Winding Up will occur within months of the Delisting and the Fund is not anticipated to hold any substantive assets or operations during this time.

Remedies for Unitholders

There are no remedies available to Unitholders under Part 2F.1 of the Corporations Act in relation to the Delisting.

If a Unitholder considers that the Delisting involves ‘unacceptable circumstances’, it may apply to the Takeovers Panel for a declaration of unacceptable circumstances and other orders under Part 6.10 Division 2 Subdivision B of the Corporations Act.

If the Takeovers Panel has declared the circumstances to be unacceptable, it may make any order that it considers appropriate to protect the rights or interests of any person or group of persons, where the Takeovers Panel is satisfied that those rights or interests are being affected, or will be or are likely to be affected, by the circumstances (section 657D of the Corporations Act).

5.2.3 The Winding up

The Winding Up of the Fund, and all associated formal steps, will occur following the Delisting and will occur in accordance with the Constitution.

The Directors are yet to determine the precise method, steps and timing for the Winding Up, but this will proceed in the manner determined by the Directors to be most efficient for Unitholders by the Directors and is currently expected to be by way of return of capital for tax purposes, including via special distribution(s).

³¹ As noted in Section 5.2.1, if the Directors determine it to be in the best interests of Unitholders, AUIREL may withhold a portion of the net proceeds from the sales of Valentine Avenue, Charlotte Street or St Kilda Road to fund the redemption of Units during Winding Up. However, any such redemption, and return of substantive proceeds would be likely to occur soon after the Delisting.

This may include a prior step of mandatory redemption of all or a proportion of the Units held by Unitholders prior to formal termination and winding up of the Fund.³²

AOF's Constitution includes a power for AUIREL to mandatorily redeem interests and a power for AUIREL to wind up the Fund where the Fund is formally "terminated". AUIREL therefore has the power to terminate the Fund by giving written notice to Unitholders and AUIREL is not required to seek Unitholder approval to wind up AOF.

After the Fund has been formally terminated, AUIREL will be obliged to wind-up the Fund, by realising the remaining assets of the Fund within 180 days. Given that all assets are anticipated to be held in cash by the time of termination, this process is expected to be expedited.

The Winding Up may include the return of any residual cash to Unitholders after payment of all liabilities associated with the Winding Up (to the extent that AUIREL's estimate of and provision for these liabilities is higher than the actual liabilities). This is currently anticipated to be by way of return of capital for tax purposes.

Once the Winding Up is complete Unitholders will cease to hold any Units in AOF and AUIREL will take steps to formally deregister AOF with ASIC.

A general summary of the potential Australian income tax consequences of the Winding Up for Unitholders is set out in Section 6 and Appendix 2 of this Explanatory Memorandum.

5.2.4 Management of the Fund during implementation of the Proposal

During the period that the Proposal is being implemented (including the period after Delisting and prior to Winding Up) the Fund will continue to be administered by AUIREL as it has been administered to date (having regard to the assets held by the Fund and the relevant point in the implementation process for the Proposal).

As referred to in further detail in Section 1.9, subject to Unitholders approving the Proposal, the property management fee, other property related service fees and accounting fees under the Investment Management Services Agreement and Property Management Services Agreement will not be charged by AUFM and AUPM from 1 July 2024. Following termination of the Fund, the Investment Management Services Agreement and Property Management Services Agreement will automatically terminate at no cost to the Fund.

³² As noted in Section 5.2.1, if the Directors determine it to be in the best interests of Unitholders, AUIREL may withhold a portion of the net proceeds from the sales of Valentine Avenue, Charlotte Street or St Kilda Road to fund the redemption of Units during Winding Up. However, any such redemption, and return of substantive proceeds would be likely to occur soon after the Delisting.

6 Taxation Considerations

We have engaged King & Wood Mallesons (**KWM**) to provide a report of the generally expected Australian tax consequences of the Proposal for Unitholders. KWM's Taxation Report Letter can be found at Appendix 2. We would recommend that Unitholders review this report for a summary of the anticipated tax consequences of the Proposal.

The tax consequences of your participation in the Proposal may differ from what is outlined in the Taxation Report Letter depending upon your individual circumstances. You should consult your own professional tax adviser regarding the consequences of the Proposal in light of your particular circumstances. In particular, foreign resident Unitholders will need to consider any implications to them under the tax regimes of countries other than Australia.

7 Glossary and interpretation

7.1 Glossary

AUIREL or **Responsible Entity** means Australian Unity Investment Real Estate Limited (ACN 606 414 368) (AFSL 477434).

Board means the board of directors of AUIREL.

AOF or **the Fund** means Australian Unity Office Fund (ARSN 113 369 627).

Asset Realisation and Return of Sale Proceeds has the meaning given in Section 1.1.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

ASX Delisting Conditions means the conditions imposed by ASX on the Delisting, as described at Section 5.2.2.

ASX Sale Conditions means the conditions prescribed by ASX on 20 June 2024 in relation to the Fund's recent asset sales, as described at Section 4.4.5.

ASX Listing Rules means the Official Listing rules of ASX.

ATO means the Australian Taxation Office.

AUFM has the meaning given in the Letter from the Chairman.

AUPM has the meaning given in the Letter from the Chairman.

CBD means Central Business District.

Chair means the chairperson of the Unitholders' meeting.

Charlotte Street means 150 Charlotte Street, Brisbane, Queensland 4000.

Constitution means the trust deed dated 23 March 2005 constituting the Fund, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth) as amended from time to time.

Delisting has the meaning given in Section 1.1.

Directors means the directors of AUIREL.

Explanatory Memorandum means this explanatory memorandum.

GST has the meaning given in the GST Act.

GST Act means the A New Tax System (Goods and Services Tax) Act 1999 (*Cth*).

Investment Management Services Agreement means the agreement between AUIREL and Australian Unity Funds Management Limited

Northbourne Avenue means 64 Northbourne Avenue, Canberra, Australian Capital Territory 2601.

Notice of Meeting means the notice of meeting issued by the Responsible Entity for the purpose of convening the Unitholders' Meeting, a copy of which is contained in Appendix 1 of this Explanatory Memorandum.

Northbourne Avenue Special Distribution has the meaning given in the Letter from the Chairman.

NTA means AOF's Net Tangible Asset backing.

Property Management Services Agreement means the agreement between AUIREL and Australian Unity Funds Management Limited and Australian Unity Investment Management Administration Pty Limited and Australian Unity Property Management Pty Limited.

Official List means the Official List of the ASX.

Proposal means the Proposal described in Section 5.

Register has the meaning given in the Notice of Meeting.

Return Maximisation Strategy has the meaning given in Section 4.4.4.

Resolution 1 means the resolution set out in Section 3.2.

Resolution 2 means the resolution set out in Section 3.3.

Resolutions means Resolution 1 and Resolution 2.

St Kilda Road means 468 St Kilda Road, Melbourne, Victoria 3004.

Taxation Report Letter means the letter contained in Appendix 2 of this Explanatory Memorandum.

Unit or AOF Unit means a unit in the Fund.

Unitholder means a person who holds one or more Units in the Fund.

Unitholders' Meeting means the meeting of Unitholders in connection with the Proposal and any adjournment of the meeting.

Valentine Avenue means 2 - 10 Valentine Avenue, Parramatta, New South Wales 2150.

Voting Record Date has the meaning given in the Notice of Meeting.

Winding Up has the meaning given in Section 1.1.

7.2 Interpretation

- (a) Unless otherwise stated, any reference to time in this Explanatory Memorandum is a reference to time in Victoria, Australia.
- (b) Unless otherwise stated references to "\$" or "dollars" is a reference to Australian dollars.

Appendix 1 - Notice of Meeting

NOTICE OF EXTRAORDINARY GENERAL MEETING OF THE UNITHOLDERS OF AUSTRALIAN UNITY OFFICE FUND (ARSN 113 369 627)

Notice is given that a Meeting of Unitholders of the Australian Unity Office Fund (“**Fund**”) will be held at **271 Spring Street, Melbourne VIC 3000** on **Tuesday, 17 December 2024** at **10.00 am (AEDT)**.

Please refer to the accompanying Explanatory Memorandum, of which this Notice of Meeting forms part, for further information about the items of business.

Notice is hereby given by Australian Unity Investment Real Estate Limited (ACN 606 414 368) (**Responsible Entity**) as responsible entity of Australian Unity Office Fund (ARSN 113 369 627) (**AOF**) that a general meeting of AOF Unitholders (**Meeting**) will be held as follows:

Place: In-person (see further details below)

Date: Tuesday, 17 December 2024

Registration: 9.30 am (AEDT)

Proxy Form Deadline: 10.00 am (AEDT) on Sunday, 15 December 2024

Mr Peter Day has been appointed as chairperson of the Meeting (**Chair**).

Ms Eve Crestani has been appointed as alternate chairperson of the Meeting

BUSINESS

Resolution 1

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the Proposal as described in this Explanatory Memorandum, on the terms and conditions set out in section 5 of this Explanatory Memorandum.”

Resolution 2

To consider and, if thought fit, pass the following resolution as a special resolution:

“That, subject to and conditional on the passing of Resolution 1, and subject to the Asset Realisation and Return of Sale Proceeds being completed to the satisfaction of the Directors and to ASX granting all necessary approvals, for the purposes of ASX Listing Rule 17.11 and for all other purposes, the Fund be removed from the Official List of ASX on a date to be determined by ASX.”

IMPORTANT NOTES

Background information

This Notice of Meeting should be read in conjunction with the rest of this Explanatory Memorandum. This Explanatory Memorandum contains an explanation of Resolution 1 and Resolution 2 and detailed information about the Proposal. To enable AOF Unitholders to make an informed decision as to how to vote on each of Resolution 1 and Resolution 2, please carefully read this Explanatory Memorandum.

The Directors unanimously recommend that AOF Unitholders should vote in favour of the Proposal and the Resolutions. This Explanatory Memorandum has been prepared to provide AOF Unitholders with sufficient information to assess the merits of the Proposal. AOF Unitholders should read the Explanatory Memorandum in full before making any decisions in relation to the Resolutions. Unless otherwise defined in this Notice of Meeting, terms used in this Notice of Meeting have the same meaning given to them in the Glossary.

Quorum

The constitution of AOF provides that two AOF Unitholders present at all times in person or by proxy or, in the case of a body corporate, by representative entitled to vote at the meeting shall be a quorum for the Meeting (unless there is only one AOF Unitholder entitled to vote at the meeting, in which case the quorum is one). Each AOF Unitholder present at the meeting may only be counted once toward the quorum. If an AOF Unitholder has appointed more than one proxy, attorney or corporate representative, only one of them may be counted towards a quorum.

Required voting threshold

Resolution 1 is an ordinary resolution and will be passed if it is passed by more than 50% of the votes cast by unitholders entitled to vote on the Resolution.

Resolution 2 is a special resolution and will be passed if it is passed by at least 75% of the votes cast by unitholders entitled to vote on the Resolution.

Attending the meeting

To attend the Meeting, you must attend at the listed address physically in person. The Meeting will not be able to be attended online.

Voting instructions

Voting Exclusions – Resolution 1

The Responsible Entity will disregard any votes in favour of this Resolution by, or on behalf of:

- Australian Unity Limited (ACN 087 648 888) and each of its subsidiaries, or any other person who will obtain a material benefit as a result of the Proposal; or
- an associate of those persons,

except a benefit solely by reason of being a holder of AOF Units, and save where it is cast by:

- a person as proxy or attorney for another person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that they are not excluded from voting, and are not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Exclusions – Resolution 2

The Responsible Entity will disregard any votes in favour of this Resolution by, or on behalf of Australian Unity Limited (ACN 087 648 888) and each of its subsidiaries or an associate of those persons.

Entitlement to attend, participate and vote

Persons holding AOF Units at 10.00 am (AEDT) on Sunday, 15 December 2024 (**Voting Record Date**) will, for the purposes of determining voting entitlements at the Meeting, be taken to be AOF Unitholders. If you are registered on the register of unitholders as an AOF Unitholder (**Register**) at 10.00 am (AEDT) on the Voting Record Date, or you are appointed as a proxy, attorney or corporate representative of such an AOF Unitholder, then you will be entitled to attend, participate and vote at the Meeting.

How to vote

AOF Unitholders as at the Voting Record Date may vote by attending the Meeting in-person (using the details set out above in this Notice of Meeting), by proxy or, in the case of a body corporate, by representative.

Voting online

If you wish to vote online but in person, you must attend the Meeting. Registration for the Meeting commences at 9.30 am (AEDT) on Sunday, 15 December 2024. Please allow sufficient time prior to the time designated for the start of the Meeting so that the value of your AOF Unit may be checked against the Register and your attendance can be noted. If you cannot attend the Meeting, you may vote by proxy, attorney or if you are a body corporate, by appointing a corporate representative.

Voting by attorney

If you intend to appoint an attorney to act on your behalf at the Meeting, such appointment must be made by a duly executed power of attorney. Unless the power of attorney has been previously provided to the Registry, the original or a certified copy of the power of attorney under which they have been authorised to attend, participate and vote at the Meeting must be received by AOF or the Registry prior to the Meeting.

Voting by corporate representative

A body corporate which is an AOF Unitholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of section 253B of the Corporations Act. Unless the appointment has been previously provided to the Registry, the corporate representative provide satisfactory evidence of his or her appointment, including any authority under which it is signed, to AOF or the Registry prior to the Meeting.

Appointment of proxies

If you cannot or do not wish to attend the Meeting, you may appoint a representative to act as your proxy to attend and participate at the Meeting on your behalf. The proxy does not need to be an AOF Unitholder. If you appoint a proxy, you may still attend the Meeting however, your proxy will not be able to speak or participate at the Meeting while you are present. If you are entitled to cast two or more votes at the Meeting, you may appoint two proxies and specify the proportion or number of votes each proxy is entitled to exercise. The Proxy Form for the Meeting accompanies this Notice of Meeting. The Proxy Form must be signed by the AOF Unitholder or their attorney or, in the case of a corporation, executed in accordance with section 127 of the Corporations Act or signed by an authorised officer or attorney. If the Proxy Form is signed by an attorney or by an authorised officer of a corporation, the original or a certified copy of the power of attorney or other authority must accompany the Proxy Form unless it has previously been provided to the Registry. If the Proxy Form is sent by fax, any accompanying power of attorney or other authority must be certified.

Where an AOF Unitholder appoints a body corporate as proxy, that body corporate will need to ensure that:

- it appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with 253B of the Corporations Act; and

- unless the appointment has been previously provided to the Registry, the corporate representative must provide satisfactory evidence of their appointment, including any authority under which it was signed, to AOF or the Registry prior to the Meeting.

The Proxy Form, duly completed in accordance with the instructions set out on each Proxy Form, may be returned to the Registry by:

- posting it in the reply paid envelope provided;
- hand delivering it during business hours on a business day to Boardroom Pty Limited at Level 8, 210 George Street Sydney NSW 2000 Australia;
- faxing it to + 61 2 9290 9655;
- posting it to c/- Boardroom Pty Limited, GPO Box 3993 Sydney NSW 2001 Australia; or
- Online at: <https://www.votingonline.com.au/aofegm2024>

If a signed Proxy Form is returned and does not include the name of a proxy being appointed, the Chair of the Meeting will be deemed to be appointed.

TO BE VALID, YOUR PROXY FORMS MUST BE RECEIVED BY THE REGISTRY BY 10.00 AM (AEDT) ON SUNDAY, 15 DECEMBER 2024.

How to ask questions

You are entitled to speak and ask questions at the Meeting if you are an AOF Unitholder or have been appointed as a proxy, attorney or a corporate representative of an AOF Unitholder. The Chair will endeavour to answer as many questions as possible during the Meeting.

If you are an AOF Unitholder and have a question or comment, you can email questions in advance of the Meeting to proxy@boardroomlimited.com.au by 5.00 pm (AEDT) on 13 December 2024.

Voting of jointly held AOF Units

If AOF units are jointly held, the vote of the AOF Unitholder whose name appears first in the Register will be accepted to the exclusion of the votes of all other joint holders. If that AOF Unitholder does not vote, the next named joint AOF Unitholder may exercise the voting rights of the jointly held AOF Units.

No responsibility

ASX takes no responsibility for the contents of this Notice of Meeting or accompanying Explanatory Memorandum.

Enquiries

If you have any questions about the Meeting please contact AOF unitholder information line on 1300 737 760 (within Australia), +61 2 9290 9600 (outside Australia) between 9.00 am and 5.00 pm (AEDT) Monday to Friday.

By Order of the Board

Liesl Petterd
Company Secretary
Australian Unity Investment Real Estate Limited
271 Spring Street, Melbourne VIC 3000

21 November 2024

Appendix 2 – Taxation Report Letter on Proposal

TO The Unitholders of Australian Unity Office Fund
(Unitholders)
c/- the Directors
Australian Unity Investment Real Estate Limited
271 Spring St
Melbourne VIC 3000

21 November 2024

Dear Unitholders

Income tax, GST and stamp duty implications of the Proposal

We act for Australian Unity Investment Real Estate Limited (**AUIREL**) in its capacity as responsible entity of the Australian Unity Office Fund (**Fund**) in relation to Australian tax and duty matters associated with the Proposal.

We have been asked by AUIREL to prepare this letter which outlines the Australian tax and duty implications of participating in the Proposal for you. We understand that this letter will be included in the Explanatory Memorandum and Notice of Extraordinary General Meeting (**EM**) that is to be provided to the Unitholders in connection with the extraordinary general meeting of Unitholders that is being called to approve the Proposal.

The Proposal comprises:

- **(Asset Realisation and Return of Sale Proceeds)** the disposal of the Fund's main undertaking and the cessation of its real estate investment business, including:
 - the return of the net proceeds from the sales of Valentine Avenue and Charlotte Street, after providing for current and future liabilities of the Fund, by way of a return of capital on the existing units in the Fund, to be paid as soon as practicable following settlement of the assets, which is expected to occur in March and April 2025 respectively;
 - the entry into a contract of sale for the Fund's last remaining asset, St Kilda Road;
 - the return of the net proceeds from the sale of St Kilda Road, after providing for current and future liabilities of the Fund. This is anticipated, at this stage, to be by way of a return of capital on the existing units in the Fund; and
 - the return of the remaining cash on balance sheet as soon as practicable thereafter, having provided for the expected liabilities of the Fund in winding up. This is also anticipated, at this stage, to be by way of a return of capital on the existing units in the Fund;
- **(Delisting)** the removal of the Fund from the Official List of the ASX; and
- **(Winding Up)** the formal termination and winding up of the Fund, followed by deregistration of the Fund by ASIC.

Please refer to the EM to which this letter is attached for more information regarding the Proposal.

Terms capitalised in this letter which are not otherwise defined take their meaning in accordance with the EM.

This letter is based on certain assumptions about the Unitholders, and the Fund. For example, the information contained in this letter assumes that:

- all Unitholders hold their Units in the Fund on capital account for tax purposes;
- the Fund is, at all relevant times, an ‘attribution managed investment trust’ or ‘AMIT’ for the purposes of Division 276 of the Tax Act; and
- for Unitholders who are foreign residents for tax purposes, those Unitholders do not hold their units in the Fund as ‘taxable Australian property’. Units in the Fund would constitute ‘taxable Australian property’ for a foreign resident Unitholder if the foreign resident Unitholder:
 - holds 10% or more of the Fund at the time of the relevant transaction, or throughout a 12-month period that begins no earlier than 24 months before the time of the transaction; or
 - holds the units in the Fund through a ‘permanent establishment’ in Australia.

This letter only relates to the Australian tax aspects of you participating in the Proposal, and does not consider the application of tax laws in any other jurisdictions. If you believe that tax laws in other jurisdictions may impact on you in connection with the Proposal (for example, because you are a foreign resident for tax purposes), then you may need to consider any implications under those tax regimes.

1 Australian income tax consequences of participating in the Proposal for Australian resident Unitholders

1.1 Asset Realisation and Return of Sale Proceeds

During the Asset Realisation and Return of Sale Proceeds, Unitholders will receive various distributions from the Fund. The distributions that are made as part of the Asset Realisation and Return of Sale Proceeds should represent the return of the net sale proceeds received by the Fund from the sales of the relevant property, after providing for current and future liabilities of the Fund, plus any excess cash remaining in the Fund.

How Unitholders are taxed on the receipt of these distributions will depend on how these distributions are made. It is currently anticipated that the distributions that will be made by AUIREL to Unitholders as part of the Asset Realisation and Return of Sale Proceeds will be made as a return of capital on the existing units in the Fund.

If the distributions are made as a return of capital, and not as an amount referable to the Fund’s taxable income, then it is not anticipated that Unitholders will be attributed, in the ‘attribution managed investment trust member annual statement’ or ‘AMMA statement’ that they receive from the Fund in the year in which the distributions are made, any assessable income components on account of having received the distributions.

If this is the case, then the receipt of the distribution should result in:

- to the extent that the Unitholder’s ‘cost base’ in their Units in the Fund is greater than the distribution received, then the ‘cost base’ and ‘reduced cost base’ will be reduced by the amount of the distribution received; and
- otherwise, a capital gain being made by the Unitholder, to the extent that the amount distributed exceeds the ‘cost base’ of the Units. This is through the operation of ‘CGT event E10’.

Any capital gain that arises may be reduced by any available capital losses of the relevant Unitholder.

Further, if the Unitholder is eligible for the discount capital gains concession, and has held their Units in the Fund for at least 12 months prior to the relevant CGT event occurring, the Unitholder may be able to reduce any net capital gain remaining, after the application of capital losses, by the discount capital gains concession. The relevant CGT event is taken to have occurred at the earlier of the end of the year of income in which the distribution is made, or, if the Unitholder disposes of their Units in the Fund prior to that time, the time at which the Unitholder is taken to have disposed of their Units.

The amount of any net 'cost base' adjustment that arises for your Units in the year in which any of the distributions are made as a part of the Asset Realisation and Return of Sale Proceeds will be reported in the 'AMMA statement' that you receive for the year in which the distributions are made.

If a distribution made to Unitholders as a part of the Asset Realisation and Return of Sale Proceeds is not a return of capital, and is instead a distribution of an amount that is referable to the taxable income of the Fund (including capital gains), then it is anticipated that the receipt of this distribution should result in AUIREL attributing the relevant income components to the Unitholder in their AMMA statement for the year in which the distribution occurs. If this is the case, then the Unitholder should be assessed on these components, and the distribution should not result in the 'cost base' adjustments and potential capital gains, as discussed above.

1.2 Delisting and Winding Up

The Delisting of the Fund should not, of itself, give rise to any Australian income tax consequences for the Unitholders. This is because Unitholders should continue to hold their Units in the Fund during this time, and the Unitholders do not receive any proceeds or consideration for the Delisting.

The Winding Up of the Fund will result in the Unitholder's Units in the Fund being redeemed for cash. This should result in the Unitholder making a capital gain or loss from the redemption, as a result of the operation of CGT event C2.

The amount of this capital gain or loss should be based on the difference between the proceeds received on the redemption, and the 'cost base' or 'reduced cost base' of the units. This 'cost base' or 'reduced cost base' should be calculated taking into account any reductions in that 'cost base' or 'reduced cost base' as a result of any distributions received under the Asset Realisation and Return of Sale Proceeds, as outlined in section 1.1 above.

A Unitholder should be entitled to recognise this capital gain or loss in the year of income in which the redemption occurs. When this occurs will depend on how the Winding Up is undertaken. AUIREL will notify Unitholders when a redemption of units is undertaken.

2 Australian income tax consequences of participating in the Proposal for foreign resident Unitholders

Unitholders that are foreign residents for tax purposes should be exempt from Australian capital gains tax on any transactions involving their Units in the Fund if those Units do not constitute 'taxable Australian property'. Based on our assumptions, Units in the Fund should not constitute 'taxable Australian property' for a foreign resident Unitholder.

On that basis, foreign resident Unitholders should be exempt from tax on any potential capital gains that arise from the receipt of distributions that are returns of capital as part of the Asset Realisation and Return of Sale Proceeds, or on the redemption of their units during the Winding Up.

As discussed above, it is anticipated that the distributions that will be made as part of the Asset Realisation and Return of Sale Proceeds will be made as returns of capital. However, in the event that

any of the distributions made as part of the Asset Realisation and Return of Sale Proceeds are not a return of capital, then AUIREL may be required to withhold tax from a distribution made to a foreign resident Unitholder. Foreign resident Unitholders should not be further liable to any tax on the distributions.

3 GST and duty on the Proposal

We do not anticipate that any liability to GST or duty should arise for Unitholders as a result of participating in the Proposal.

This disclosure is based on the provisions of the Tax Act, the GST legislation and the relevant stamp duties legislation as at the date of the EM. Australian taxation law is subject to change, sometimes with retrospective effect, which may have adverse taxation consequences for you. You may wish to consult your own professional tax adviser regarding the consequences of the Proposal in light of your particular circumstances.

Yours faithfully



King & Wood Mallesons

CORPORATE DIRECTORY

Responsible Entity

Australian Unity Investment Real Estate Limited ABN 86 606 414 368
AFSL 477434
As Responsible Entity of Australian Unity Office Fund ARSN 113 369 627

Registered Office

271 Spring Street
Melbourne VIC 3000
13 29 39

Registry

Boardroom Pty Limited ACN 003 209 836
Level 8, 210 George Street
Sydney NSW 2000

Registry postal address

GPO Box 3993
Sydney NSW 2001
1300 737 760 or
+61 2 9290 9600 (outside Australia)
investorserve.com.au

Fund website

australianunityofficefund.com.au

Auditor

KPMG
Tower Two, Collins Square
727 Collins Street
Melbourne 3008



All Correspondence to:

- By Mail: Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia
By Fax: +61 2 9290 9655
Online: www.boardroomlimited.com.au
By Phone: (within Australia) 1300 737 760, (outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your proxy to be effective it must be received before 10:00am (AEDT) on Sunday, 15 December 2024.

TO APPOINT A PROXY ONLINE BY SMARTPHONE

- STEP 1: VISIT https://www.votingonline.com.au/aofegm2024
STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)
STEP 3: Enter your Voting Access Code (VAC):



Scan QR Code using smartphone QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

SAMPLE

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy... If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the Fund's unit registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of units applicable to that form.
(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark 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 units are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission.

STEP 3 SIGN THE FORM

The form must be signed by the following:
Individual: This form is to be signed by the unitholder.
Joint Holding: where the holding is in more than one name, all the unitholders should sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the responsible entity.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary.

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by 10:00am (AEDT) on Sunday 15 December 2024.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- Online: https://www.votingonline.com.au/aofegm2024
By Fax: + 61 2 9290 9655
By Mail: Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia
In Person: Boardroom Pty Limited, Level 8, 210 George Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Australian Unity Office Fund

ARSN 113 369 627

Your Address

This is your address as it appears on the Fund's unit register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Unitholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your units using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

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

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Extraordinary General Meeting of the Fund to be held at **Australian Unity's Office at 271 Spring Street, Melbourne, VIC 3000 on Tuesday 17 December 2024 at 10:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* 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 vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	(Asset Realisation and Return of Sale Proceeds) That for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the Proposal as described in the Explanatory Memorandum, on the terms and conditions set out in section 5 of the Explanatory Memorandum.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	(Delisting) That, subject to and conditional on the passing of Resolution 1, and subject to the Asset Realisation and Return of Sale Proceeds being completed to the satisfaction of the Directors and to ASX granting all necessary approvals, for the purposes of ASX Listing Rule 17.11 and for all other purposes, the Fund be removed from the Official List of ASX on a date to be determined by ASX.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2024