ASX Announcement – Australian Unity Office Fund

15 November 2021

AOF Explanatory Memorandum and Independent Expert's Report

Australian Unity Investment Real Estate Limited (**AUIREL**), as Responsible Entity of Australian Unity Office Fund (**ASX: AOF**) refers to its announcement dated 4 October 2021 regarding the signing of the Merger Implementation Deed with Australian Unity Property Limited (**AUPL**), as Responsible Entity of Australian Unity Diversified Property Fund (**DPF**) to create 'Australian Unity Property Fund' (**AUPF**) (**Proposal**).

AUIREL announces that a meeting of AOF Unitholders will be held virtually at 1.00pm (AEDT) on Friday 10 December 2021 (**AOF Unitholder Meeting**) to consider and vote on resolutions required to be passed by AOF unitholders (**Merger Resolutions**) to implement the Proposal.

Recommendation of Directors

The AOF Explanatory Memorandum provides AOF Unitholders with information about the Proposal and Merger Resolutions. AOF Unitholders are encouraged to read the Explanatory Memorandum in its entirety before making a decision on whether or not to vote in favour of the Merger Resolutions.

The Directors of AUIREL unanimously recommend that AOF Unitholders vote in favour of the Merger Resolutions to be considered at the AOF Unitholder Meeting. Each Director of AUIREL intends to vote any AOF Units that he or she holds or controls in favour of each Merger Resolution.

Independent Expert's Report

The AOF Explanatory Memorandum includes an Independent Expert's Report prepared by KPMG Corporate Finance (**Independent Expert**). **The Independent Expert has concluded that the Proposal is in the best interests of AOF Unitholders, in the absence of a superior proposal.** The Independent Expert's conclusions should be read in context with the full Independent Expert's Report and the AOF Explanatory Memorandum.

DPF Unitholder Booklet

The DPF Unitholder Booklet has also been sent to DPF unitholders and a copy can be accessed here australianunity.com.au/wealth/dpf

Accessing the meeting materials

The Notice of Meeting, Explanatory Memorandum, sample proxy form and Virtual Meeting Guide are attached to this announcement and will be sent to AOF Unitholders by making them available electronically, with a copy able to be accessed here australianunityofficefund.com.au/proposed-merger

AOF Unitholders who have previously elected to receive communications electronically will receive an email to their nominated email address which contains instructions about how to view or download a copy of the Notice of Meeting, Explanatory Memorandum, Virtual Meeting

ASX Announcement – Australian Unity Office Fund

Guide and proxy form with instructions on how to lodge the proxy form, including online lodgement.

AOF Unitholders who have not elected to receive communications electronically will be sent by post a letter together with a proxy form for the AOF Unitholder Meeting. The letter contains details of where AOF Unitholders can view and download the meeting materials.

AOF Unitholders who wish to receive a printed copy of the meeting materials may request a copy by calling the AOF unitholder information line on 1300 158 729 (within Australia) or +61 2 9066 4058 (outside Australia) between 9.00am and 5.00pm (AEDT) Monday to Friday.

AOF Unitholder Meeting

The AOF Unitholder Meeting will be conducted as a virtual meeting commencing at 1.00pm (AEDT), on Friday, 10 December 2021. There will be no physical AOF Unitholder Meeting. AOF Unitholders (or their proxies, attorneys or corporate representatives) will be able to attend, vote and ask questions at the AOF Unitholder Meeting through an online platform available at: https://web.lumiagm.com/309-536-856.

All AOF Unitholders entitled to vote are encouraged to vote by:

- attending and voting at the virtual AOF Unitholder Meeting;
- appointing a proxy to attend the virtual AOF Unitholder Meeting and vote on their behalf, using the proxy form;
- appointing an attorney to attend the virtual AOF Unitholder Meeting and vote on their behalf; or
- in the case of a corporate unitholder, appointing a corporate representative to attend the virtual AOF Unitholder Meeting and vote on its behalf.

The Notice of Meeting provides information on how to lodge your Proxy form, power of attorney or corporate representative appointment.

Further information

AOF Unitholders can obtain further information in relation to the Proposal or the AOF Unitholder Meeting by visiting the AOF website or calling the AOF unitholder information line on 1300 158 729 (within Australia) or +61 2 9066 4058 (outside Australia) between 9.00am and 5.00pm (AEDT) Monday to Friday.

Authorised by:

AUIREL Sub-Committee

Contact information

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ASX Announcement – Australian Unity Office Fund

About AOF

AOF is an ASX-listed REIT that wholly owns a diversified portfolio of properties located across Australian metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra.

This announcement is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368 AFSL 477434 (AUIREL). AUIREL is owned equally by subsidiaries of Australian Unity Limited ABN 23 087 648 888 and Keppel Capital Holdings Pte Ltd CRN 201302079N, the asset management arm of Singapore-based Keppel Corporation Limited CRN 196800351N.

Notice of Meeting and Explanatory Memorandum

180 YEARS

Australian Unity
Real Wellbeing

Australian Unity Office Fund

This document is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368 as Responsible Entity for Australian Unity Office Fund ARSN 113 369 627

The AOF RE Board unanimously recommends that you

VOTE IN FAVOUR

of the Merger Resolutions to implement the Proposal

The Independent Expert has concluded that the Proposal is in the best interests of AOF Unitholders in the absence of a Superior Proposal

A meeting of the unitholders of Australian Unity Office Fund will be held virtually on Friday, 10 December 2021 at 1.00pm (AEDT)

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. It explains the Proposal and you should read this document in its entirety before deciding how to vote. If you are in any doubt about what to do, you should consult your financial, legal, tax or other professional adviser without delay.

HIGHBURY PARTNERSHIP

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Important notices

Purpose of this document

This Explanatory Memorandum has been prepared for the unitholders of AOF (**AOF Unitholders**) in connection with the general meeting to be held virtually at 1.00pm (AEDT) on Friday, 10 December 2021 (**Meeting**) to consider and vote on resolutions of AOF Unitholders in relation to the proposed merger with Australian Unity Diversified Property Fund (**DPF**), whereby Australian Unity Investment Real Estate Limited ACN 606 414 368 (**AOF RE**) proposes to acquire all the DPF Units on issue in consideration for units in Australian Unity Office Fund (**AOF**) (together, the **Proposal**).

The purpose of this Explanatory Memorandum is to provide AOF Unitholders with information about the Proposal and information that is prescribed by the ASX Listing Rules or which the AOF RE Directors believe to be material to the decision of AOF Unitholders whether or not to vote in favour of the Merger Resolutions detailed in the Notice of Meeting, set out at Schedule 1 of this Explanatory Memorandum.

Important information

This Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and Proxy Form are all important documents and require your immediate attention. They should be read carefully in their entirety before deciding how to vote on the Merger Resolutions. If you are in any doubt as to what you should do, please consult your financial, legal or other professional adviser.

Responsible Entity

AOF RE is the responsible entity of AOF. Unless the context otherwise requires in this Explanatory Memorandum, a reference to AOF RE is a reference to it in its capacity as responsible entity of AOF.

Meeting

AOF RE is pleased to invite all AOF Unitholders to the Meeting to be held virtually using the online platform provided by the Registry. AOF Unitholders and their appointed proxies, attorneys or corporate representatives who wish to participate in the Meeting virtually may do so in accordance with the instructions provided in the Notice of Meeting.

This Explanatory Memorandum contains details of the Merger Resolutions, details of the Proposal and instructions on how to vote.

ASX

A copy of this Explanatory Memorandum has been lodged with the ASX. Neither the ASX nor any of their officers takes any responsibility for the content of this Explanatory Memorandum.

Investment advice

This Explanatory Memorandum contains general financial product advice only and has been prepared without taking account of the investment objectives, financial situation, tax position or particular needs of any AOF Unitholder or any other person. The information and recommendations contained in this Explanatory Memorandum and the Independent Expert's Report do not constitute, and should not be taken as, financial product advice.

Before acting on any of the matters described in this Explanatory Memorandum, you should have regard to your investment objectives, financial situation, tax position or particular needs and obtain your own advice by contacting your legal, financial or other professional adviser.

An investment in AOF is subject to investment and other risks, including possible loss of income and principal invested. AOF RE gives no guarantee or assurance as to the performance of AOF, the AOF Units or the repayment of capital.

Forward-looking statements

This Explanatory Memorandum contains certain forward-looking statements which are not based solely on historical facts, but are rather based on AOF RE's current expectations about future events and results.

These forward-looking statements are subject to inherent risks, uncertainties and assumptions, and may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of AOF RE and which could cause actual events or results to differ materially from the expectations, events, results, values, performance or achievements expressed or implied in any forward-looking statement. Deviations are both normal and to be expected in such forward looking statements.

Except to the extent required by law, none of AOF RE, the AOF RE's Directors, any member of the Australian Unity group or their respective officers or employees, any person named in this Explanatory Memorandum with their consent or any person involved in the preparation of this Explanatory Memorandum, makes any representation, warranty, assurance or guarantee (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events, results, values, performance or achievements expressed or implied in any forward-looking statement. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements.

The forward-looking statements in this Explanatory Memorandum reflect views held only as at the date of this Explanatory Memorandum (unless otherwise explicitly stated). Subject to any obligations under law or the ASX Listing Rules, AOF RE and its related entities and directors disclaim any obligation or undertaking to disseminate, after the date of the Explanatory Memorandum, any updates or revisions to any forward looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Risks

The Proposal is conditional upon, among other things, the AOF Unitholders approving the Merger Resolutions. Concurrently, a separate meeting of DPF Unitholders will be held to consider and, if thought appropriate, approve the DPF Unitholder Resolution. If the Merger Resolutions and the DPF Unitholder Resolution are passed, and all other Conditions Precedent are satisfied (or waived), the Proposal will proceed. Accordingly, the risk factors associated with the Proposal will be relevant to the AOF Unitholders in considering whether or not to vote in favour of the Merger Resolutions, as the Proposal will not be implemented if any of the Merger Resolutions are not passed. You should carefully read Section 10 which sets out risk factors associated with the Proposal.

Notice to persons outside Australia

The Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

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

AOF Unitholders who are nominees, trustees or custodians should seek independent advice as to how they should proceed.

This Explanatory Memorandum has been prepared in accordance with laws of the Commonwealth of Australia and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of jurisdictions outside Australia.

This Explanatory Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, the AOF Units or DPF Units in the United States or in any jurisdiction in which such an offer would be illegal. None of the AOF Units or DPF Units will have been, or will be, registered under the U.S. Securities Act of 1933, as amended, or under the securities laws of any state or other jurisdiction of the United States, and none of such AOF Units or DPF Units may be offered or sold, directly or indirectly, in the United States.

Responsibility for information

Except as outlined below, the information contained in this Explanatory Memorandum (except for the DPF Information, the Investigating Accountant's Report and Independent Expert's Report) has been prepared by AOF RE (**AOF Information**) and is the responsibility of AOF RE. No other person assumes any responsibility for the accuracy or completeness of any information contained in the Explanatory Memorandum.

The DPF Information set out in this Explanatory Memorandum has been prepared by DPF RE. Neither AOF RE nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of such information.

The Independent Expert has prepared the Independent Expert's Report (as set out in Annexure A to this Explanatory Memorandum) and takes responsibility for that report but is not responsible for any other information contained in the Explanatory Memorandum. Neither AOF RE nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

The Investigating Accountant has prepared the Investigating Accountant's Report (as set out in Section 11 of this Explanatory Memorandum) and takes responsibility for that report but is not responsible for any other information contained in the Explanatory Memorandum. Neither AOF RE nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Investigating Accountant's Report.

AOF Unitholders are urged to read the Independent Expert's Report and Investigating Accountant's Report carefully to understand the scope of each report, the methodology of the assessments, the sources of information and the assumptions made.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale.

Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at 30 June 2021.

Timetable and dates

All times and dates referred to in this Explanatory Memorandum are times and dates in Australian Eastern Daylight Time, being the time in Sydney, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Proposal may change.

Effect of rounding

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

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

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

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

Privacy Statement

AOF RE collects personal information about its unitholders' holdings of AOF in accordance with the Corporations Act. AOF RE will share that personal information with its advisers and service providers in connection with the Proposal. AOF Unitholders can contact AOF unitholder information line on 1300 158 729 (within Australia), +61 2 9066 4058 (outside Australia) between 9.00am and 5.00pm (AEDT) Monday to Friday if they have questions about their personal information.

Financial amounts

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

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

Defined terms

Capitalised terms and certain abbreviations used in this Explanatory Memorandum are defined in the Glossary in Section 13.

Unless the contrary intention appears, the context requires otherwise or words are defined in Section 13, words and phrases in this Explanatory Memorandum have the same meaning and interpretation as in the Corporations Act.

Date

This Explanatory Memorandum is dated 15 November 2021.

Contents

1. Chairman's letter

Dear AOF Unitholder

On behalf of the board of directors of AOF RE (**AOF RE Board**) in its capacity as the responsible entity of AOF, I am pleased to provide you with this Explanatory Memorandum in relation to the proposal to merge AOF with DPF to create the Australian Unity Property Fund (**AUPF**) (together, the **Proposal**).

The Proposal is the culmination of a comprehensive strategic assessment that the AOF RE Board together with AOF management and Highbury Partnership (as financial adviser to AOF RE) has undertaken, as follows:

- on 23 February 2021 the AOF RE Board announced it had initiated a strategic assessment to examine options to maximise returns and value for unitholders;
- on 7 July 2021 the AOF RE Board announced the conclusion of the strategic assessment and the intention to investigate the merger of AOF and DPF as a key initiative to deliver on the refined strategy;
- on 20 September 2021 the AOF RE Board announced it had reached in principle agreement with Australian Unity Property Limited (**DPF RE**) as responsible entity for DPF on the merger ratio; and
- on 4 October 2021 the AOF RE Board announced it had entered into a Merger Implementation Deed with DPF RE in relation to the Proposal.

This Explanatory Memorandum contains details about the Proposal and the resolutions required to be passed by AOF Unitholders to implement the Proposal (**Merger Resolutions**).

The AOF RE Board strongly encourages you to read this Explanatory Memorandum in its entirety as it contains important information that will need to be considered before you vote on the Merger Resolutions.

Overview of the Proposal

The Proposal is to be implemented by way of a trust scheme and is subject to the passing of the Merger Resolutions and satisfaction (or waiver) of other Conditions Precedent, including the passing of the DPF Unitholder Resolution by DPF Unitholders.

Under the Proposal, AOF will acquire all the units in DPF in consideration for the issue of AUPF Units (being units in the renamed AOF) to DPF Unitholders at an agreed merger ratio of 0.4550 AUPF Units for every 1 DPF Unit (**Merger Ratio**).

Subject to the Conditions Precedent being satisfied (or waived), the Proposal will be implemented and AOF will be renamed AUPF, with implementation of the Proposal resulting in existing AOF Unitholders owning approximately 54% and DPF Unitholders owning approximately 46% of AUPF.[1]

Potential benefits of the Proposal

Implementation of the Proposal is consistent with AOF's strategy to invest in Australian office properties in metropolitan and CBD markets, complemented by a targeted and diversified portfolio of Australian real estate assets focused on the key attributes of affordability, accessibility and amenity. If implemented, the Proposal will combine two highly complementary property portfolios to provide AOF Unitholders with an enhanced investment proposition and sustainability of income returns, relative to AOF on a standalone basis.

The AOF RE Board considers that the Proposal will provide a number of benefits to AOF Unitholders, including:

- increased sustainability of income and enhanced medium term income prospects;
- enhanced ability to execute value-add opportunities;
- exposure to a larger and more diversified portfolio;
- expected increase in, and sustainability of, distributions;
- increased relevance and liquidity with potential inclusion in additional ASX and global indices;
- a new debt facility and improved access to capital; and
- experienced management team guided by a majority independent board.

AOF Unitholders should consider both the potential benefits and disadvantages of the Proposal before deciding whether or not to vote in favour of the Merger Resolutions. Sections 4 and 5 of this Explanatory Memorandum provide a further explanation of the potential benefits and disadvantages of the Proposal.

Why is your vote required?

Implementation of the Proposal will involve the acquisition by AOF of 100% of the units in DPF in exchange for the issue of AUPF Units. The proposed issue of AUPF Units will exceed the 15% threshold under ASX Listing Rule 7.1 and involves the issue to persons referred to in ASX Listing Rule 10.11. Accordingly, AOF Unitholder approvals under ASX Listing Rules 7.1 and 10.11 will be sought.

1 The 54% represents an approximation of the pro forma AOF Unitholder ownership of AUPF at Implementation, excluding the Cross Holding and assumes full take up of the Capped Withdrawal Facility.

Recommendation of the AOF RE Board

The AOF RE Directors unanimously recommend that AOF Unitholders vote in favour of the Merger Resolutions to be considered at the Meeting. Each AOF RE Director intends to vote any AOF Units that he or she holds or controls in favour of each Merger Resolution.

Independent Expert Report

AOF engaged KPMG Corporate Finance (**Independent Expert**) to prepare the Independent Expert's Report to provide an opinion for the benefit of AOF Unitholders.

The Independent Expert has concluded that the Proposal is in the best interests of the AOF Unitholders, in the absence of a Superior Proposal.

A full copy of the Independent Expert's Report is included in Annexure A to this Explanatory Memorandum. You are encouraged to read it in its entirety.

Meeting to consider approving the Merger Resolutions

The Merger Resolutions will be put before the AOF Unitholders for approval at the Meeting to be held virtually on Friday, 10 December 2021 at 1.00pm (AEDT). AOF Unitholders are invited to attend the Meeting online and can participate, observe, ask questions, make comments and vote in real time. Details of how to attend the Meeting virtually are set out in the Notice of Meeting set out at Schedule 1 of this Explanatory Memorandum.

A Proxy Form accompanies this Explanatory Memorandum. This Explanatory Memorandum contains important information in relation to the Proposal and the Merger Resolutions to assist you in deciding how to vote on the Merger Resolutions. We urge you to read the Notice of Meeting and Explanatory Memorandum carefully and in its entirety.

If you are unable to attend the Meeting, you may appoint a proxy to vote for you at the virtual Meeting by completing and returning the Proxy Form. If you intend to appoint a proxy, please return the completed Proxy Form in accordance with the directions on the form by 1.00pm (AEDT) on Wednesday, 8 December 2021.

If you require any further information regarding the Merger Resolutions or the Proposal, please contact the AOF unitholder information line on 1300 158 729 (within Australia), +61 2 9066 4058 (outside Australia) between 9.00am and 5.00pm (AEDT) Monday to Friday. You can also contact auofficefundmerger@investorinfo.net.au via email and we will aim to respond to you within 24 hours. Alternatively, you may also wish to contact your financial, legal, taxation or other professional adviser.

Conclusion

We are pleased to present this opportunity to AOF Unitholders and look forward to your participation at the Meeting.

Your vote is important and we encourage you to **vote in favour** of the Merger Resolutions.

Peter Day

Independent Non-Executive Director and Chairman
Australian Unity Investment Real Estate Limited
as responsible entity of Australian Unity Office Fund

2. Key dates

Date of this Explanatory Memorandum	Monday, 15 November 2021
Latest time and date for return of your Proxy Form	1.00pm on Wednesday, 8 December 2021
Voting Record Date	7.00pm on Wednesday, 8 December 2021
Date and time of the meeting of DPF Unitholders to vote on the DPF Unitholder Resolution	10.00am on Friday, 10 December 2021
Date and time of the Meeting of AOF Unitholders to vote on the Merger Resolutions	1.00pm on Friday, 10 December 2021

If the Merger Resolutions are passed by AOF Unitholders, and all other Conditions Precedent are fulfilled or waived (if applicable), the following key dates apply:

Second Judicial Court Date	Wednesday, 15 December 2021
Ex-date for AOF Distribution	Wednesday, 15 December 2021
Record date for AOF Distribution	Thursday, 16 December 2021
Proposal Effective Date	Thursday, 16 December 2021
AUPF Units commence trading on ASX on a deferred settlement basis	10.00am on Friday, 17 December 2021
Proposal Record Date	6.00pm on Friday, 17 December 2021
Implementation Date	Wednesday, 22 December 2021
Normal trading commences in AUPF Units	Thursday, 23 December 2021

All dates in the above timetable are indicative only. Any changes to the above timetable will be announced through ASX and notified on AOF's website at https://www.australianunityofficefund.com.au/. AOF RE reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws.

What to do next

2.1 Carefully read this Explanatory Memorandum and the Notice of Meeting in full

AOF Unitholders should read this Explanatory Memorandum and the Notice of Meeting carefully before deciding how to vote on the Merger Resolutions.

It is important that you consider the information disclosed in light of your own particular investment needs, objectives and financial circumstances. The "Questions and Answers" in Section 3 of this Explanatory Memorandum may help answer some of your questions.

If, after reading this Explanatory Memorandum and the Notice of Meeting, you have any questions regarding the Merger Resolutions or the Proposal, please contact the AOF unitholder information line on 1300 158 729 (within Australia), +61 2 9066 4058 (outside Australia) between 9.00am and 5.00pm (AEDT) Monday to Friday. You can also contact auofficefundmerger@investorinfo.net.au via email and we will aim to respond to you within 24 hours. Alternatively, you may also wish to contact your financial, legal, taxation or other professional adviser.

2.2 Vote on the Merger Resolutions

In light of the COVID-19 pandemic and the associated government restrictions in place on travel and public gatherings, there will not be a physical venue for the Meeting that AOF Unitholders can attend.

AOF Unitholders can vote on the Merger Resolutions by:

(a) Attending the Meeting virtually

The Meeting will be held using the online platform provided by the Registry. AOF Unitholders and their appointed proxies, attorneys or corporate representatives who wish to participate in the Meeting virtually may do so:

From their computer, by entering the URL in their browser: https://web.lumiagm.com/309-536-856

From their mobile device by either entering the URL in their browser: https://web.lumiagm.com/309-536-856

(b) Proxy

Completing and returning the Proxy Form:

By mail to:
Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

In person to:
Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

By facsimile to:
+ 61 2 9290 9655

By email:
proxy@boardroomlimited.com.au

Online at:
https://www.votingonline.com.au/aofgm2021

so as to be received by 1.00pm (AEDT) on Wednesday, 8 December 2021.

A Proxy Form is enclosed with this Explanatory Memorandum. This is to be used by AOF Unitholders if they wish to appoint a representative (a proxy) to vote in their place at the Meeting. All AOF Unitholders are invited and encouraged to attend the Meeting virtually or, if they are unable to attend the Meeting virtually, sign and return the Proxy Form to AOF in accordance with the proxy return instructions. Lodgement of a Proxy Form will not preclude an AOF Unitholder from attending the Meeting virtually.

(c) Appointing an attorney to participate and vote at the Meeting

AOF Unitholders may appoint an attorney to attend the Meeting on their behalf, 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.

(d) Appointing a corporate representative to participate and vote at the Meeting

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 must 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.

3. Questions and Answers

This Section 3 answers some frequently asked questions about the Proposal and the Merger Resolutions. It is not intended to address all relevant issues for AOF Unitholders. This Section 3 should be read together with all other parts of this Explanatory Memorandum.

Question	Answer	Section
3.1 Explanatory Memorandum and Notice of Meeting		
What is this document and why have I received it?	This document is a Notice of Meeting and Explanatory Memorandum that has been sent to you because you are an AOF Unitholder and you are being asked to vote on the Merger Resolutions. This Explanatory Memorandum is intended to help you to decide how to vote on the Merger Resolutions at the Meeting. This document provides AOF Unitholders with information about the Merger Resolutions and with information that is required by the ASX Listing Rules or which the AOF RE Directors believe to be material for AOF Unitholders when deciding how to vote on the Merger Resolutions, detailed in the Notice of Meeting included as Schedule 1 to this document.	Section 6
3.2 Proposal Overview		
What is the Proposal?	The Proposal involves the acquisition by AOF of all of the DPF Units by way of a trust scheme. If the Proposal is implemented, the merged entity will be called “Australian Unity Property Fund”. If the Proposal is implemented: • AOF will be renamed AUPF and will trade on the ASX under the same ticker “AOF”; • all the units in DPF will be transferred to AOF RE; • the assets of DPF will form part of the AUPF portfolio; • AOF Unitholders will continue to hold the same number of AOF Units in AUPF; • DPF Unitholders will receive 0.4550 AUPF Units for every 1 DPF held; and • each AUPF Unit will trade on the same terms as current AOF Units.	Section 6
What are the potential benefits of the Proposal?	The AOF RE Board considers that the Proposal has a number of potential benefits for AOF Unitholders, including: • increased sustainability of income and enhanced medium term income prospects; • enhanced ability to execute value-add opportunities; • exposure to a larger and more diversified portfolio; • expected increase in, and sustainability of, distributions; • increased relevance and liquidity with potential inclusion in additional ASX and global indices; • a new debt facility and improved access to capital; and • experienced management team guided by a majority independent board.	Section 4

Question	Answer	Section
What are the potential disadvantages and risks of the Proposal?	The AOF RE Board considers that the Proposal has potential disadvantages and risks for AOF Unitholders, including: • the change in the nature of the portfolio may not align with your investment preferences; • the one-off costs associated with implementing the Proposal will reduce net tangible assets per unit; • on implementation of the Proposal, gearing is expected to increase; • you may disagree with the AOF RE Board's recommendation or the conclusion of the Independent Expert; and • you may disagree with the Proposal.	Section 5 and Section 10
What are the risks to AOF if the Proposal does not proceed?	AOF's ability to further deliver on its refined strategy including providing sustainable income returns and capital growth over the long-term is reduced.	Section 8.4
What do the AOF RE Directors recommend?	The AOF RE Directors unanimously recommend that AOF Unitholders vote in favour of the Merger Resolutions.	Section 4.2
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Proposal is in the best interests of AOF Unitholders, in the absence of a Superior Proposal.	Section 4.3 and Annexure A
3.3 Information about DPF		
Who is DPF?	DPF is an unlisted property fund that invests in Australian office, multi-use (office/industrial), convenience retail and industrial sector properties, diversified by geography, tenant and lease term. DPF also owns 5.9% of AOF Units. DPF's investment strategy aims to provide its investors with stable and consistent income through periods of economic change and with medium to long term capital growth.	Section 7
3.4 Overview of AUPF		
Who is AUPF?	Concurrently with implementation of the Proposal: • AOF will be renamed AUPF and will trade on the ASX under the same ticker "AOF"; • AOF Unitholders will continue to hold the same number of units in AUPF that they currently hold in AOF; • AOF RE will own all of the units in, and assets of, DPF; and • AUPF Unitholders will have the ability to buy or sell their AUPF Units on the ASX.	Section 9
What will be the key objectives and investment strategy of AUPF?	AUPF's key objectives are to provide sustainable income returns via quarterly distributions and the potential for capital growth over the long-term by investing in a diversified portfolio of Australian properties. AUPF's investment strategy will be to focus on owning Australian office properties in metropolitan and CBD markets, complemented by a targeted and diversified portfolio of Australian real estate assets focused on the key attributes of affordability, accessibility and amenity. The key objectives and investment strategy of AUPF are consistent with AOF.	Section 9.1

Question	Answer	Section
What distributions will I receive?	AUPF expects to pay quarterly distributions to unitholders and expects these distributions to be between 80% and 100% of the AOF RE Board's determination of funds from operations (**FFO**). In FY22, AUPF distributions are expected to be 15.5 cents per unit, compared to 15.2 cents per unit for AOF on a standalone basis.[2]	Sections 4.1(d) and 9.7
Will distributions be paid prior to implementation of the Proposal?	AOF intends to make quarterly distributions of income to AOF Unitholders for the period from 1 July 2021 until the earlier of the Effective Date or 31 December 2021. The total amount of all such distributions will be not more than 7.6 cents per AOF Unit. If the Implementation Date does not occur on or prior to 31 December 2021, AOF RE and DPF RE will consult in good faith to permit the payment of additional distributions by AOF RE to AOF Unitholders prior to the Implementation Date.	Section 8.8
Are there any changes to AOF's current management fees if the Proposal is implemented?	No, there are no changes to the basis of AOF's management fees as a result of the Proposal.	N/A
Who will be on the board of directors of AUPF?	AUPF will be governed by a majority independent board comprising the existing AOF RE Directors, providing continuity of leadership: • Independent Non-Executive Director and Chairman: (William) Peter Day; • Independent Non-Executive Director: Don Marples; • Independent Non-Executive Director: Eve Crestani; • Non-Executive Director: Greg Willcock; and • Non-Executive Director: Erle Spratt.	Section 9.8
Who is the manager and management team of AUPF?	AUFML is the investment manager of AOF and will remain the investment manager of AUPF. AUPM the property manager of both AOF and DPF will remain the property manager for AUPF. AUPF's management team will draw on the existing management of AOF and DPF providing continuity of asset focus and tenant relationships. Nikki Panagopoulos, the current AOF Fund Manager, will be the Fund Manager of AUPF and will be supported by an experienced team of property professionals covering asset management, development management, transaction management and leasing and capital management.	Section 9.8
Will Australian Unity own units in AUPF?	The AU Group Managed Entities currently own AOF Units and DPF Units. Based on current AOF and DPF holdings, and if the Proposal is implemented, the AU Group Managed Entities are expected to own approximately 10.7% of total AUPF Units immediately following implementation of the Proposal. Australian Unity has indicated an intention for the AU Group Managed Entities to initially target a holding in AUPF of approximately 12% of total AUPF Units on issue, subject to funding being made available from the AUL Group's parent company, the Proposal proceeding and market conditions.	Section 9.9
What are the key risks associated with an investment in AUPF?	If the Proposal proceeds, AUPF Unitholders will be exposed to a number of specific risks which they are not currently exposed to.	Section 10

2. AOF first half FY22 distribution per unit (DPU) of 7.6c plus forecast second half FY22 AUPF DPU of 7.9c. This forecast is subject to no material change in current market conditions and no unforeseen events.

Question	Answer	Section
3.5 Meeting details, voting and approval thresholds		
When and where will the Meeting be held?	The Meeting will be held virtually on Friday, 10 December 2021 at 1.00 pm (AEDT).	Schedule 1
Who is entitled to vote at the Meeting?	All AOF Unitholders on the AOF Register as at 7.00pm on Wednesday, 8 December 2021 (Voting Record Date) are entitled to attend and vote at the Meeting using the online platform, subject to voting exclusions.	Schedule 1
What are the Merger Resolutions?	There are two Merger Resolutions being proposed at the Meeting, as follows: • an ordinary resolution under ASX Listing Rule 7.1 approving the issuance of 0.4550 AUPF Units for every 1 DPF Unit held by DPF Unitholders as at the Proposal Record Date under the Proposal; and • an ordinary resolution under ASX Listing Rule 10.11 approving the issuance of 0.4550 AUPF Units for every 1 DPF Unit held by AUL Group Members (as DPF Unitholders) as at the Proposal Record Date under the Proposal. In order for the Proposal to proceed, both Merger Resolutions must be passed and all other Conditions Precedent satisfied (or waived).	Schedule 1
Who is the Chairperson of the meeting and what are their voting intentions?	Mr William Peter Day will be the Chairman of the Meeting. As of the date of this Explanatory Memorandum, if you appoint the Chairman of the Meeting as your proxy and you do not direct the Chairman on how to vote, the Chairman currently intends to exercise your proxy to vote in favour of each Merger Resolution. William Peter Day also holds interests in AOF Units in his personal capacity and, as at the date of this Explanatory Memorandum, intends to vote in favour of the Merger Resolutions. Mr Don Marples will be the alternative Chairman of the Meeting if Mr William Peter Day is unable to attend the Meeting.	Schedule 1
What voting majorities are required to pass the Merger Resolutions?	Each Merger Resolution is an ordinary resolution and therefore to be passed each Merger Resolution must be passed by at least 50% of the total number of votes cast on the Merger Resolution by AOF Unitholders entitled to vote on the resolution.	Schedule 1
What will happen if the Merger Resolutions are passed?	If the Merger Resolutions are passed then, subject to all other Conditions Precedent being satisfied or waived (if applicable), the Proposal will proceed to implementation.	Schedule 1
What will happen if the Merger Resolutions are not passed?	If the Merger Resolutions are not passed then the Conditions Precedent will fail to be satisfied and the Proposal will not proceed. Each of the Merger Resolutions and DPF Unitholder Resolution is inter-conditional, such that if either or both the Merger Resolutions are not passed by the requisite majority of AOF Unitholders or the DPF Unitholder Resolution is not passed by the requisite majority of DPF Unitholders or any other Condition Precedent to the Proposal is not satisfied (or waived), the Proposal will not proceed. Each Merger Resolution should therefore be considered in the context of the overall benefits of the Proposal.	Schedule 1

Question	Answer	Section
How do I vote?	You may vote by attending the Meeting, which will be held virtually. Alternatively, you can vote by proxy, by attorney or by corporate representative (in the case of a body corporate) in accordance with the instructions in the Notice of Meeting.	Schedule 1
What happens if I vote against a Merger Resolution or do not vote?	If you do not vote, or if you vote against the Merger Resolutions, then the Proposal may or may not be approved. The Proposal cannot be implemented unless the Merger Resolutions are passed by the requisite majority of AOF Unitholders at the Meeting. However, even if you do not vote or vote against the Merger Resolutions, this does not mean the Proposal will not be approved. If you vote against the Merger Resolutions and they are passed and the Conditions Precedent are satisfied (or waived), the Proposal will be implemented.	Schedule 1
Am I able to vote on the Merger Resolutions if I hold both AOF Units and DPF Units?	If you hold both AOF Units and DPF Units on the Voting Record Date, any vote cast by you on Resolution 1 (as set out in the Notice of Meeting) will be disregarded. Refer to the voting exclusions in the Notice of Meeting for further information.	Schedule 1
3.6 Implementation and other matters		
What needs to happen for the Proposal to proceed?	For the Proposal to proceed, all Conditions Precedent must be satisfied (or waived).	Section 6
When will the Proposal be implemented?	The Proposal will be implemented on the Implementation Date, which is expected to be Wednesday, 22 December 2021 provided the Merger Resolutions and the DPF Unitholder Resolution are passed, the Conditions Precedent are satisfied (or waived) and the Proposal becomes Effective.	Section 6
What are the transaction costs associated with the Proposal?	If the Proposal is implemented, AUPF will incur one-off costs of approximately $24.5 million (inclusive of non-recoverable GST, if applicable), comprising $22.2 million of transaction costs, primarily in relation to stamp duty and advisor costs, and net costs of $2.3 million relating to the establishment of AUPF's new debt facility. AOF Unitholders should also take into consideration that if the Proposal is not implemented, AOF will incur transaction costs of approximately $2.0 million (inclusive of non-recoverably GST, if applicable) without realising any of the benefits garnered by the successful implementation of the Proposal.	Section 8.5
What are the Australian tax and stamp duty implications of the Proposal for AOF Unitholders?	AOF Unitholders will be subject to tax on any distribution made to them prior to implementation of the Proposal in the usual manner. Non-resident AOF Unitholders will be subject to MIT withholding on amounts attributed to them by AOF. The implementation of the Proposal should not have any income tax, GST or stamp duty implications for AOF Unitholders. However, there will be stamp duty and non-recoverable GST payable by AUPF.	Please consult your own tax adviser in relation to the taxation implications of the Proposal and the Merger Resolutions.

Question	Answer	Section
Are there Conditions Precedent to the Proposal proceeding?	Yes, the implementation of the Proposal is subject to the satisfaction (or waiver) of a number of Conditions Precedent. The Proposal might not proceed where one of the Conditions Precedent has not been satisfied (or waived) or a termination event in the Merger Implementation Deed has occurred. These circumstances include (among other things): • regulatory approvals required to implement the Proposal are not granted or obtained; • AOF Unitholders do not pass the Merger Resolutions; • DPF Unitholders do not pass the DPF Unitholder Resolution; • a Government Agency restrains completion of the Proposal; • the Court declines to grant the Second Judicial Advice; or • ASX does not approve the quotation of the AUPF Units.	Section 12
Are there any termination rights?	Yes, the Merger Implementation Deed contains standard termination rights for both AOF and DPF. These termination rights include allowing termination by other party if: • either the DPF RE Board or AOF RE Board support a Superior Proposal; • either the DPF RE Board or AOF RE Board withdraws or adversely changes or modifies its recommendation that the relevant unitholders vote in favour of the Proposal (or makes a public statement to that effect); • the unitholders of AOF or DPF do not approve the relevant resolutions required to implement the Proposal by the requisite majorities; • any party is in material breach of the Merger Implementation Deed; or • the Conditions Precedent (which includes no AOF material adverse change and no DPF material adverse change having occurred) are not satisfied or waived.	Section 12
Further questions	If after reading this Explanatory Memorandum you have any questions about the Proposal, you should call the AOF unitholder information line on 1300 158 729 (within Australia), +61 2 9066 4058 (outside Australia) between 9.00am and 5.00pm (AEDT) Monday to Friday. You can also contact auofficefundmerger@investorinfo.net.au via email and we will aim to respond to you within 24 hours. If you are in any doubt as to what you should do, you should consult your legal, investment or other professional adviser without delay.	Section 2

4. Why you should vote FOR the Merger Resolutions

The Merger Resolutions being passed by the requisite majorities of AOF Unitholders in accordance with the ASX Listing Rules is a Condition Precedent to the implementation of the Proposal.

If the Proposal is implemented:

- AOF will be renamed AUPF and will trade on the ASX under the same ticker "AOF" (**AUPF Units**);
- all of the units in DPF will be transferred to AOF RE;
- the assets of DPF will form part of the AUPF portfolio;
- existing AOF Unitholders will continue to hold the same number of AOF Units in AUPF;
- existing DPF Unitholders will receive 0.4550 AUPF Units for every 1 DPF held; and
- each AUPF Unit will trade on the same terms as current AOF Units.

One Condition Precedent to the implementation of the Proposal is for the AOF Unitholders to consider, and if thought fit, to pass each of the Merger Resolutions.

If the Merger Resolutions are passed, and all other Conditions Precedent are satisfied (or waived) and the Proposal is implemented, the AOF RE Board considers that there are a number of potential benefits to AOF Unitholders. These potential benefits are set out below and are considered by the AOF RE Board as reasons why they recommend that AOF Unitholders should vote in favour of the Merger Resolutions.

4.1 Benefits of the Proposal

If the Merger Resolutions are passed and the Proposal is implemented, AOF Unitholders are expected to enjoy the potential benefits, as set out below.

Increased sustainability of income and enhanced medium term income prospects
Enhanced ability to execute value-add opportunities
Exposure to a larger and more diversified portfolio
Expected increase in, and sustainability of, distributions
Increased relevance and liquidity with potential inclusion in additional ASX and global indices
A new debt facility and improved access to capital
Experienced management team guided by a majority independent board

Each of these benefits are detailed below.

(a) Increased sustainability of income and enhanced medium term income prospects

The portfolio combination of AOF and DPF is expected to mitigate risks arising from AOF's medium term lease expiries. The combination of the two portfolios is also expected to materially improve the overall income profile, with the pro forma weighted average lease expiry (**WALE**) expected to double from 2.4 years[3] to 4.9 years[4]. The increase in income sustainability and WALE is underpinned by long-term leases to high quality tenants such as Coles, Woolworths, Aldi, Ampol and the Commonwealth Government.

Beyond FY22, AOF Unitholders will continue to benefit from AUPF's increased scale, diversity, defensive tenant base, lease and tenant profile, balance sheet and value-add opportunities.

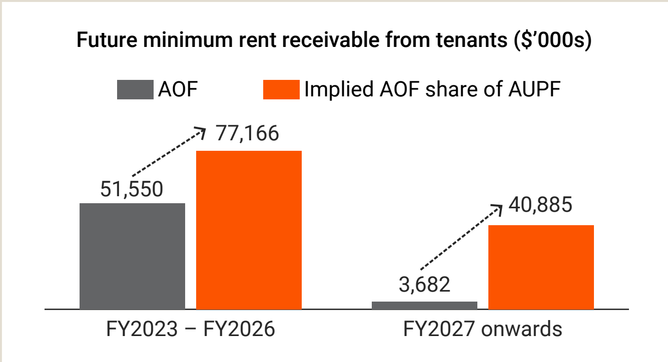
3. As at 30 June 2021.
4. As at 30 June 2021, adjusted for the acquisition of 96 York Street, Beenleigh which is expected to settle in January 2022 and proposed divestments of 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville.

Minimum future rent receivable from tenants for FY23 onwards ($'000s)				
As at 30 June 2021	AOF[1,3]	DPF[2,3]	AUPF[3]	Implied AOF share of AUPF[4]
Future minimum rent receivable: FY2023 – FY2026	51,550	91,350	142,900	77,166
Future minimum rent receivable: FY2027 onwards	3,682	72,030	75,712	40,885
Totals	**55,232**	**163,380**	**218,612**	**118,051**

Notes:

1. Source: AOF FY21 accounts, note 14(d).
2. Source: DPF FY21 accounts, note 13(d).
3. AUPF minimum future lease payments receivable information for FY23 onwards is the sum of the minimum future lease payments receivable from AOF and DPF tenants under existing lease agreements for FY23 onwards, as at 30 June 2021.
4. Implied AOF share of AUPF future minimum lease payments receivable from tenants for FY23 onwards, as at 30 June 2021, has been calculated by multiplying AUPF minimum future lease payments receivable information for FY23 onwards by 54%.

The chart below further describes the information from the above table.



(b) Enhanced ability to execute value-add opportunities

The larger portfolio scale, increased level of geographic and tenant diversification, and greater access to capital markets will also enhance AUPF's ability to deliver upon the combined portfolio's value-add opportunities, including:

- 2 Valentine Avenue, Parramatta, New South Wales;
- 10 Valentine Avenue, Parramatta, New South Wales;
- 30 Pirie Street, Adelaide, South Australia;
- North Blackburn Shopping Centre, North Blackburn, Victoria; and
- Busselton Central Shopping Centre, Busselton, Western Australia.

(c) Exposure to a larger and more diversified portfolio[5]

If the Proposal is implemented, AOF Unitholders will gain exposure to a larger and more diversified portfolio of 18 real estate assets with a valuation of approximately $1.2 billion across office, multi-use office and industrial, convenience retail, infrastructure retail and industrial sectors throughout Australia. The portfolio will also have a significantly longer WALE of 4.9 years[6] and higher occupancy at 97%[6] as compared to AOF on a standalone basis.

A summary of AUPF's combined portfolio compared to AOF's standalone portfolio is set out below.

Figure [1]: Portfolio asset mix (by book value)

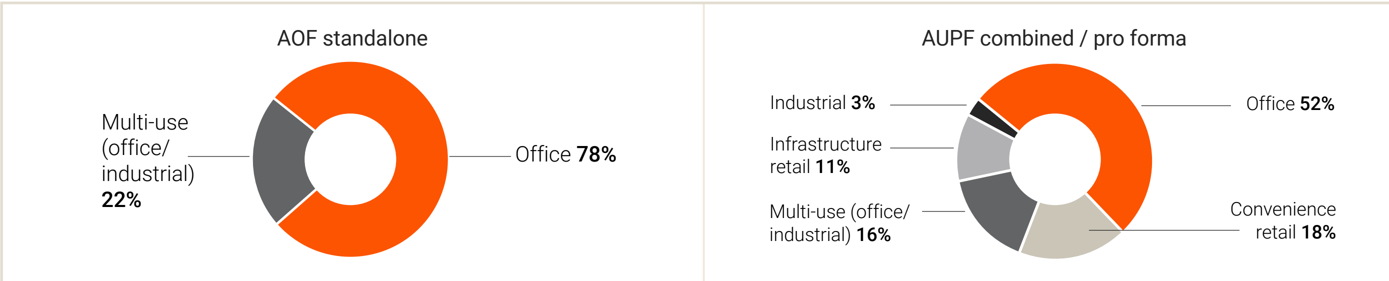


Figure [2]: Portfolio geographic diversification (by book value)

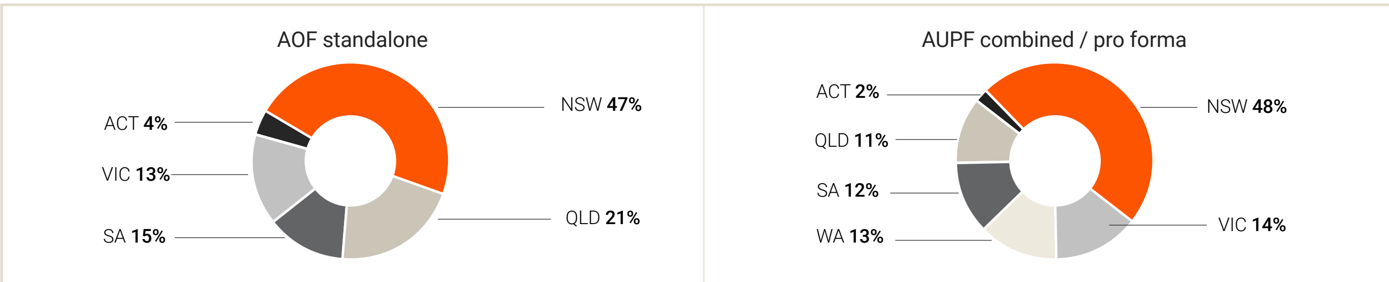
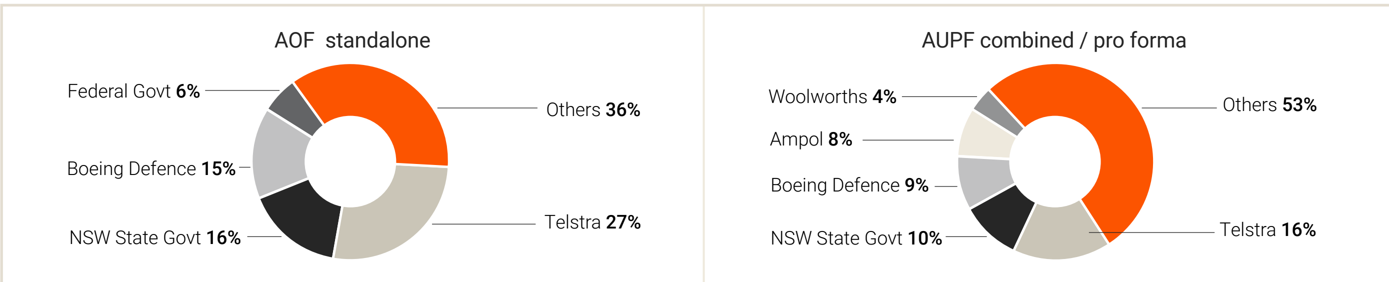


Figure [3]: Portfolio top tenants (by income)



5. Based on 30 June 2021 book values and portfolio metrics, adjusted for acquisition of 96 York Street, Beenleigh which is expected to settle in January 2022 and proposed divestments of 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville. Totals may not add up due to rounding.
6. As at 30 June 2021, adjusted for the acquisition of 96 York Street, Beenleigh which is expected to settle in January 2022 and proposed divestments of 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville.

(d) Expected increase in, and sustainability of, distributions

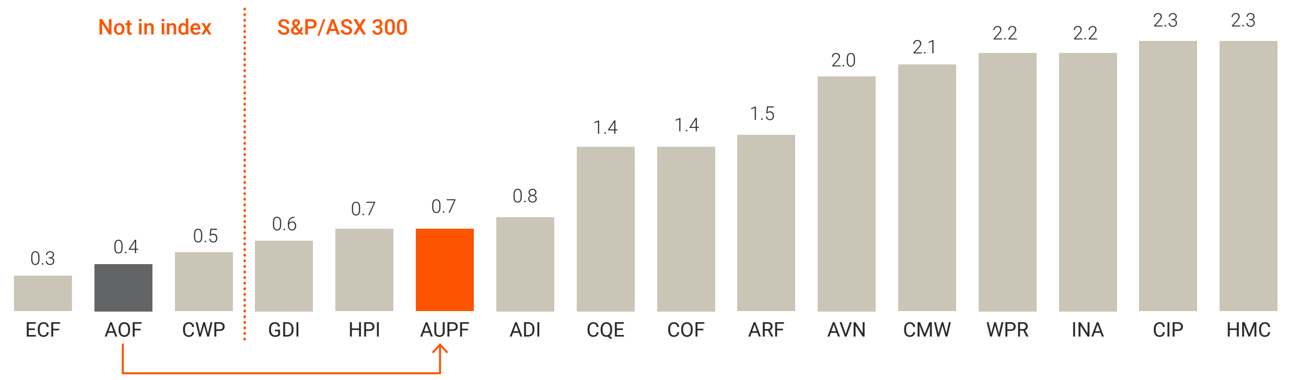
If the Proposal is implemented, AOF Unitholders will receive AOF standalone distributions for the period up to the earlier of the Effective Date or 31 December 2021 of 7.6 cents per unit, in line with FY22 guidance. Based on AUPF's second half FY22 forecast distribution of 7.9 cents per unit, AOF Unitholders are expected to receive 15.5 cents per unit for FY22, compared to 15.2 cents per unit for AOF on a standalone basis. This forecast is subject to no material change in current market conditions and no unforeseen events.

Sustainability of distributions is enhanced through the improved income profile as explained in Section 4.1(a) above.

(e) Increased relevance and liquidity with potential inclusion in additional ASX and global indices

On implementation of the Proposal, AUPF is expected to have a market capitalisation of approximately $730 million[7] with a broad unitholder base. This presents the opportunity for additional index inclusion in indices such as the ASX/S&P 300 Index and FTSE EPRA Nareit Global Developed Index. Additional index inclusion may further increase the liquidity and relevance of AUPF Units.

Market capitalisation of S&P/ASX 200 and S&P/ASX 300 A-REIT Index constituents ($bn)

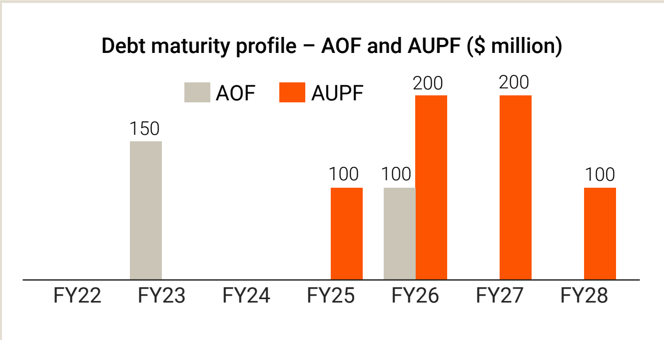


Source: Capital IQ as at 20 October 2021

7. Implied based on AUPF pro forma NTA, refer to pro forma balance sheet in Section 9.5.

(f) A new debt facility and improved access to capital

If the Proposal is implemented, AUPF expects to have in place a new $600 million debt facility with a 4.5 year average maturity sourced from five lenders at an expected all-in cost that is below AOF's existing cost of debt.



It is anticipated that AUPF will have improved access to capital, with a larger and more diversified fund likely to be more attractive to new equity and debt investors under normal market conditions.

Going forward, this improved and diversified access to capital may translate to a greater ability for AUPF to take advantage of growth opportunities, refinance debt facilities or achieve more favourable funding terms.

(g) Experienced management team guided by a majority independent board

AUPF will be governed by an independent board of directors (as outlined in Section 9.8) and managed by Australian Unity. Importantly for AOF Unitholders, there will be continuity of Board, asset management and tenant relationships with the AUPF management team comprising persons from both the existing AOF and DPF management teams.

AUPM is the property manager of both AOF and DPF will remain the property manager for AUPF.

AUFML is the investment manager of AOF will remain the investment manager of AUPF.

4.2 The AOF RE Board unanimously recommends that AOF Unitholders vote FOR the Merger Resolutions

In assessing the Proposal, the AOF RE Board considered the potential benefits and potential disadvantages of the Proposal for AOF Unitholders. They believe that the potential benefits of the Proposal outweigh the potential disadvantages. For this reason, the **AOF RE Board supports the Proposal, believes it is in the best interests of AOF Unitholders, in the absence of a Superior Proposal, and unanimously recommends that AOF Unitholders vote in favour of the Merger Resolutions** which will permit, subject to all other Conditions Precedent being satisfied (or waived), the Proposal to be implemented.

4.3 The Independent Expert has concluded that the Proposal is in the best interests of AOF Unitholders, in the absence of a Superior Proposal

The AOF RE Board appointed KPMG Corporate Finance as the Independent Expert to prepare the Independent Expert's Report to provide an opinion as to whether the Proposal is in the best interests to AOF Unitholders.

The Independent Expert has concluded that the Proposal is in the best interests of AOF Unitholders, in the absence of a Superior Proposal. AOF Unitholders should carefully review the Independent Expert's Report set out in Annexure A in its entirety.

5. Why you may vote AGAINST the Merger Resolutions

The AOF RE Board unanimously recommends that AOF Unitholders vote in favour of the Merger Resolutions, and the Independent Expert has concluded that the Proposal is in the best interests of AOF Unitholders, in the absence of a Superior Proposal.

The Merger Resolutions being passed by AOF Unitholders is a Condition Precedent to the implementation of the Proposal. If this Condition Precedent and all other Conditions Precedent are satisfied (or waived) and the Proposal is implemented there may be potential disadvantages which are outlined below in this Section 5. AOF Unitholders may consider voting against the Merger Resolutions due to the following potential disadvantages.

The change in the nature of the portfolio may not align with your investment preferences
The one-off costs associated with implementing the Proposal will reduce net tangible assets per unit
On implementation of the Proposal, gearing is expected to increase
You may disagree with the AOF RE Board's recommendation or the conclusion of the Independent Expert
You may disagree with the Proposal

These disadvantages are detailed below.

5.1 Change in the nature of the portfolio may not align with your investment preferences

If the Proposal is implemented, AOF Unitholders that become AUPF Unitholders will be invested in a property portfolio that possesses different characteristics to AOF's current investment portfolio. In comparison to AOF's existing portfolio, AUPF will have an increase in scale, a different sector exposure mix and a different geographical exposure mix. This includes the introduction of convenience retail, infrastructure retail and industrial assets.

While these changes may not necessarily signify a disadvantage to AOF Unitholders that invest in AUPF, we note that there may be different benefits and risks that would need to be considered around the AUPF investment portfolio for AOF Unitholders.

5.2 One-off costs associated with implementing the Proposal will reduce net tangible assets per unit

The proposed transaction structure under which AOF acquires 100% of the DPF Units and subsequently issues AUPF Units at the Merger Ratio gives rise to a number of one-off costs including stamp duty, refinancing costs (related to the establishment of AUPF's new debt facility) and other transaction costs (largely related to advisory fees) associated with the Proposal. These costs are expected to increase borrowings by $24.5 million[8].

The payment of these costs and the issuance of AUPF Units to DPF Unitholders at the Merger Ratio are expected to result in an AUPF pro forma NTA of $2.56 per unit[9]. This represents a reduction in NTA of approximately 4.8% relative to AOF's pro forma NTA of $2.69[10] as at 30 June 2021.

8. If the Proposal is implemented, AUPF will incur one-off costs of approximately $24.5 million (inclusive of non-recoverable GST, if applicable); comprising $22.2 million of transaction costs, primarily in relation to stamp duty and advisor costs, and net costs of $2.3 million relating to the establishment of AUPF's new debt facility. Refer to the pro forma balance sheet in Section 9.5.
9. 30 June 2021 pro forma NTA for AUPF assuming the Proposal is implemented. Refer to the pro forma balance sheet in Section 9.5.
10. AOF's 30 June 2021 pro forma NTA of $2.69, is based on AOF's actual NTA at 30 June 2021 of $2.71 and adjusted for the acquisition of 96 York Street, Beenleigh which is expected to settle in January 2022.

5.3 On implementation of the Proposal, gearing is expected to increase

If the Proposal is implemented, AUPF's pro forma gearing as at 30 June 2021 is expected to be 38.6%[11], which is higher than AOF's existing pro forma 30 June 2021 gearing of 28.4%. The increase in gearing is to due one-off costs associated with implementing the transaction, the acquisition 96 York Street, Beenleigh and the impact of DPF's existing higher gearing of 39.9%.

The pro forma AUPF gearing reduces to 34.2% assuming 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville are sold for net proceeds equal to their 30 June 2021 book values.

5.4 You may disagree with the AOF RE Board's recommendation or the conclusion of the Independent Expert

Notwithstanding the unanimous recommendation of the AOF RE Board and the Independent Expert's opinion that the Proposal is in the best interests of AOF Unitholders, in the absence of a Superior Proposal, you may believe that the Proposal is not in your best interests.

5.5 You may disagree with the Proposal

There may be reasons as to why you believe that the implementation of the Proposal is not in your best interests, including:

- you may not seek broader portfolio diversification;
- AUPF may be subject to larger capital and financing exposures; and
- the risks associated with the Proposal. See Section 10 for details of the key risks.

11. 30 June 2021 pro forma gearing for AUPF. Refer to the pro forma balance sheet in Section 9.5.

6. Proposal Overview

AOF RE remains focussed on delivering sustainable returns and growing income for AOF Unitholders. As part of that focus, AOF RE undertook a comprehensive strategic assessment to examine options to maximise returns and unlock value for AOF Unitholders.

AOF RE identified the merger of AOF and DPF as having financial and strategic merit and a key initiative to maximise sustainable returns and value for AOF Unitholders.

6.1 AOF strategic assessment

(a) Strategic assessment – background and summary

On 23 February 2021 AOF RE announced a strategic assessment to examine all options to maximise returns to, and unlock value for, AOF Unitholders. AOF RE considered AOF's strategic positioning and priorities and identified refinements to AOF's strategy.

On 7 July 2021 AOF RE announced the outcomes of the strategic assessment. The various options considered by AOF RE are outlined in Section 6.1(b) below.

In concluding the strategic assessment, AOF RE determined to maintain AOF's office focus in metropolitan and CBD markets, to be complemented by a targeted and diversified portfolio of Australian real estate assets.

AOF will continue to focus on delivering sustainable income and growing income returns through active asset management and value-add initiatives.

(b) Strategic assessment – framework and considerations

In conducting the strategic assessment, AOF RE examined options to maximise returns and realise value for AOF Unitholders. The following three broad categories were identified to assess a range of scenarios:

1. grow and enhance the portfolio;
2. maintain the current portfolio; and
3. divest the portfolio and return capital.

The strategic assessment framework is provided below.

Strategic assessment framework

Grow and enhance portfolio	1	Asset and portfolio acquisitions
	2	Mergers and corporate transactions
	3	Development led organic growth opportunities
	4	Internalisation of fund, asset and property management services
Maintain current portfolio	5	Maintain existing structure and portfolio
	6	De-list AOF and transition to an unlisted property fund owning the existing portfolio
Divest and return capital	7	Unit buyback funded from debt and non-core asset sales
	8	Full portfolio divestment and fund wind-up

AOF put in place a comprehensive framework to assess the scenarios while giving consideration to the current situation

- Engagement with many of AOF's investors, including institutional, high net worth and retail
- An assessment of the strengths, weaknesses, opportunities and threats for AOF
- Consideration of the future of office
- Evaluation of AOF's portfolio construction, including a detailed assessment of AOF's properties, tenants and future cash flows
- An analysis of AOF's position within the listed Real Estate Investment Trust universe
- A review of the composition of AOF's unitholder register

The strategic assessment considerations are provided below.

Strategic assessment considerations

Grow and enhance portfolio	**Growing and enhancing the portfolio achieves the strategic priorities** • Provides sustainable distributions, enhances liquidity and allows for delivery of value-add initiatives maximising unitholder value **Options to grow and enhance the portfolio are being considered and delivered** • Redeploying the divestment funds of 241 Adelaide Street, Brisbane to the acquisition of 96 York Street, Beenleigh enhances the sustainability of distributions • Recycling ageing assets, including exploring the divestment of 32 Phillip Street, Parramatta • Development led value-add repositioning strategies are underway at Valentine Ave, Parramatta and 30 Pirie St, Adelaide • The potential merger with DPF has financial and strategic merit
Maintain current portfolio	**Does not achieve the strategic priorities** • Currently sub scale with limited liquidity • Weighting to major tenants' presents risk at lease expiry to sustainability of distributions
Divest and return capital	**Does not achieve the strategic priorities** • Does not deliver sustainable income distributions • Full portfolio divestment presents significant uncertainty around net proceeds to be returned to unitholders given potential unrealised capital gain, value and timing risks • Unit buy back remains an option if AOF trades at a material discount to net tangible assets

(c) Strategic assessment – identification of strategic priorities

In conducting the strategic assessment, AOF RE identified the following strategic priorities, with the benefit of AOF Unitholder engagement:

- maintaining sustainable income distributions while maximising returns for AOF Unitholders;
- continuing to focus on key asset attributes of affordability, accessibility and amenity;
- retaining an office focus complemented by a diversified asset ownership mandate;
- implementing value-add initiatives, including developments and asset repositioning strategies;
- targeting a growth strategy to diversify sources of income in support of the other strategic priorities;
- enhancing trading liquidity; targeting inclusion in additional ASX and global indices; and
- further leveraging the capabilities and investment opportunities provided by the AUL Group.

6.2 Background to the Proposal

AOF RE approached DPF RE with a conditional, unsolicited and non-binding proposal to explore a potential merger to create AUPF. AOF and DPF undertook a period of mutual due diligence and stakeholder engagement following announcement of the intention to investigate the Proposal on 7 July 2021. AOF RE announced on 20 September 2021 it had reached in principle agreement with DPF RE on a merger ratio.

6.3 Merger Implementation Deed

On 4 October 2021, AOF RE and DPF RE entered into the Merger Implementation Deed in relation to the Proposal under which, among others things, AOF RE agreed to put the Merger Resolutions to AOF Unitholders at the Meeting. The implementation of the Proposal is subject to a number of Conditions Precedent being satisfied (or waived) which are summarised in Section 12.8. The Proposal will not proceed unless all Conditions Precedent are satisfied (or waived) in accordance with the Merger Implementation Deed.

Concurrently with implementation of the Proposal, AOF will be renamed AUPF with existing AOF Unitholders owning approximately 54% of AUPF and DPF Unitholders owning approximately 46% of AUPF.[12]

AOF RE expects the Proposal to provide AOF Unitholders with a superior investment proposition and enhanced sustainability of income returns, relative to AOF on a standalone basis.

6.4 Deed Poll

On 8 November 2021, AOF RE executed the Deed Poll, pursuant to which AOF RE has agreed, in favour of all DPF Unitholders, to fulfil all obligations contemplated of AOF RE under the Proposal, including the obligation to issue AUPF Units to DPF Unitholders and AUIREL, subject to the Proposal being implemented.

6.5 Steps to implement the Proposal

Implementation of the Proposal includes the following steps:

(a) the DPF Unitholder Resolution being passed by DPF Unitholders at the DPF Unitholder Meeting;

(b) the Merger Resolutions being passed by AOF Unitholders at the Meeting; and

(c) subject to the Merger Resolutions and DPF Unitholder Resolution being passed and all other Conditions Precedent being satisfied (or waived), AOF RE acquiring all DPF Units from DPF Unitholders in exchange for issuing to the DPF Unitholders (or AUIREL at the direction of the DPF Unitholder) a number of AUPF Units equal to 0.4550 AUPF Units multiplied by the number of DPF Units that DPF Unitholders hold on the Proposal Record Date.

6.6 Effective Date

The Proposal will, subject to the Merger Resolutions being passed at the Meeting and all other Conditions Precedent being satisfied (or waived), become Effective when the Supplemental Deed Poll is lodged with ASIC.

6.7 Issue of AUPF Units

If the Proposal becomes Effective and is implemented:

(a) all the DPF Units will be transferred to AOF RE, without the need for any further act by a DPF Unitholder; and

(b) DPF Unitholders (other than Foreign DPF Unitholders) will be issued AUPF Units. DPF RE will, on behalf of Foreign DPF Unitholders, direct AUPF Units to which the Foreign DPF Unitholders would otherwise be entitled to be issued to AUIREL and sold on behalf of the Foreign DPF Unitholders. Foreign DPF Unitholders will receive the net proceeds from the sale by the Sale Agent of the AUPF Units which would otherwise have been issued to them under the Proposal.

12. The 54% represents an approximation of the pro forma AOF Unitholder ownership of AUPF at implementation of the Proposal, excluding the Cross Holding and assumes full take up of the Capped Withdrawal Facility.

6.8 Purpose of the Merger Resolutions

A Condition Precedent to the Proposal proceeding requires the Merger Resolutions to be passed by the requisite majorities of AOF Unitholders, as follows:

(a) an ordinary resolution of AOF Unitholders approving the proposed issue of AUPF Units to DPF Unitholders for the purposes of ASX Listing Rule 7.1; and

(b) an ordinary resolution of AOF Unitholders approving the proposed issue of AUPF Units to certain DPF Unitholders for the purposes of ASX Listing Rule 10.11.

Implementation of the Proposal will involve the acquisition by AOF of 100% of the units in DPF in exchange for the issue of AUPF Units. The proposed issue of AUPF Units will exceed the 15% threshold under ASX Listing Rule 7.1 and involves the issue to persons referred to in ASX Listing Rule 10.11. Accordingly, the Merger Resolutions are required to comply with the ASX Listing Rules.

Further information in relation to the Merger Resolutions and the requirements under the ASX Listing Rules can be found in Section 12.2.

6.9 Independent Expert's conclusion

The Independent Expert has concluded that the Proposal is in the best interests of AOF Unitholders, in the absence of a Superior Proposal.

The reasons for the Independent Expert's opinion are set out in the Independent Expert's Report, a copy of which is included at Annexure A to this Explanatory Memorandum.

AOF RE Directors strongly encourage you to read the Independent Expert's Report in its entirety.

6.10 Recommendation of the AOF RE Board

The AOF RE Directors consider that the Proposal is in the best interests of AOF Unitholders and the AOF RE Directors unanimously recommend that AOF Unitholders vote in favour of the Merger Resolutions.

6.11 Trading in AUPF Units

If the Proposal becomes Effective, each DPF Unitholder (other than Foreign DPF Unitholders) will receive their consideration (the Merger Ratio) in the form of AUPF Units.

The AUPF Units to be issued under the Proposal will be fully paid and rank equally with existing AOF Units.

AOF RE will apply to ASX for quotation of the new AUPF Units on ASX within seven days after the date of this Explanatory Memorandum. The AUPF Units are expected to commence trading on ASX initially on a deferred settlement basis from the Business Day after the Effective Date and, from the Business Day after the Implementation Date, on a normal settlement basis under the existing ticker symbol "AOF".

7. Information about DPF

7.1 Overview of DPF

DPF is an unlisted property trust that aims to provide investors with monthly tax-effective income and the opportunity for capital growth over the medium to long term. DPF aims to achieve this by investing in a diversified property portfolio of quality Australian commercial properties including offices, multi-use (office/industrial) properties, convenience retail shopping centres and industrial properties.

This section 7 describes DPF, Section 8 describes AOF on a standalone basis and Section 9 describes AUPF, being the combination of DPF and AOF if the Proposal proceeds.

7.2 Responsible entity

DPF RE is a wholly owned subsidiary of AUL. DPF RE holds an AFSL (number 234455) issued by ASIC, which allows it to administer property and financial asset funds at a retail and wholesale level, prepare product disclosure statements and raise funds for property investment purposes.

As the responsible entity, DPF RE is bound by the DPF Constitution and the Corporations Act. DPF RE has lodged a compliance plan with ASIC which sets out the key measures which DPF RE will apply to comply with the DPF Constitution and the Corporations Act.

DPF RE is responsible for overseeing the operations of DPF. DPF RE has the power to delegate certain aspects of its duties.

7.3 Portfolio overview

(a) Key portfolio metrics[13]

Portfolio metrics	DPF
Number of properties[14]	10
Occupancy (by NLA)	98.5%
Portfolio value ($m)	543.8
Weighted average cap rate (%)	5.6%
WALE (years)[15]	8.2
Net lettable area (sqm)	67,038

13. As at 30 June 2021, adjusted for the proposed divestment of 19 Corporate Avenue, Rowville.

14. Certain properties consolidated for reporting purposes; refer to section 7.3.

15. WALE means weighted average lease expiry in years, by gross property income as at 30 June 2021.

(b) Property portfolio[16]

A summary of DPF's property portfolio (including valuation and market capitalisation rate as at 30 June 2021) is shown below (adjusted for the proposed divestment of 19 Corporate Avenue, Rowville).

Market	Property	State	Independent valuation ($mm)	Capitalisation rate[17]	NLA (sqm)	WALE (years)[18]	Occupancy (by NLA)
Wyong	Wyong Services Centres[19]	NSW	130.0	5.00%	4,286	17.0	100.0%
Parramatta	20 Smith St	NSW	83.5	5.38%	7,392	2.3	97.3%
Balcatta	6-8 Geddes St[20]	WA	14.3	6.00%	9,992	2.4	100.0%
North Blackburn	North Blackburn Square Shopping Centre	VIC	79.0	6.00%	6,329	8.4	100.0%
Yokine	Dog Swamp Shopping Centre	WA	52.8	6.00%	8,036	8.4	96.5%
Busselton	Busselton Central Shopping Centre[21]	WA	46.6	6.25%	9,062	7.7	96.9%
Osborne	620 Mersey Rd	SA	49.3	5.00%	8,006	9.0	100.0%
Woodvale	Woodvale Boulevard Shopping Centre	WA	33.5	6.50%	6,378	4.5	96.4%
Williamtown	Williamtown Aerospace Centre	NSW	54.9	6.00%	7,557	3.4	100.0%
Total (T) / Weighted Average (W)			**543.8 (T)**	**5.63% (W)**	**67,038 (T)**	**8.2 (W)**	**98.5% (W)**

16. Valuation Policy – Regular valuation of underlying property assets is an important aspect of managing DPF. Valuations are conducted by qualified independent valuers in accordance with industry standards. DPF has a policy of generally obtaining independent valuations on DPF direct properties each year and, for assets under development, within an 18-month period. Additionally, as part of our active management approach, we may test asset values on market. At times we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained.
17. A market capitalisation rate is the rate, expressed as a percentage, that reflects the likely market yield a property will generate over the medium term. It has regard to a property's unique characteristics and is a measure of the property's risk/return profile with higher rates reflecting higher risk and its function is to convert a property's income into value. The market capitalisation rate is assessed by the independent valuer by dividing the stabilised net market property income of the property or a portfolio of properties by the assessed valuation of the property or portfolio, excluding costs of acquisitions and fees.
18. WALE means weighted average lease expiry in years, by gross property income as at 30 June 2021. Vacancies are valued at market income.
19. Includes Wyong Service Centre (Southbound) and Wyong Service Centre (Northbound), Wyong, NSW, consolidated for reporting purposes.
20. Includes 6-8 Geddes Street, Balcatta and 5 Kenhelm Street Balcatta, WA, consolidated for reporting purposes.
21. Includes Busselton Central Shopping Centre, 21 Prince Street, Busselton and vacant lots 121 & 122 Kent Street and lot 309 Prince Street.

(c) Management of DPF assets

DPF RE is the investment manager of DPF.

DPF RE has appointed AUPM as property manager of DPF. AUPM is part of the Australian Unity property business unit which is an established, well regarded investment manager of commercial and health care property with approximately $4.1 billion of real estate funds under management as at 30 June 2021.

(d) Sale of DPF assets

DPF is continuing to be managed on a business as usual basis and is actively considering potential asset sales to fund the development opportunities at its Busselton Central and North Blackburn properties. The property located at 19 Corporate Avenue, Rowville has been subject to, unsolicited, conditional offers and DPF RE proposes to take advantage of current property market conditions to sell the property in the short term.

7.4 Strategy and investment objectives

The investment strategy of DPF is to acquire, manage and grow a diversified property portfolio of offices, multi-use (office/industrial) properties, convenience retail shopping centres and industrial properties in Australia.

DPF's diversification strategy aims to provide stability of income through periods of change in the economic environment and enables DPF RE to actively manage the portfolio to achieve DPF's strategy.

DPF typically holds 70–100%[22] of its assets in direct property.

DPF may hold up to 20%[23] of its assets in unlisted property investments.

DPF may hold between 0–15%[24] of its assets in listed securities in the Australian REITs sector.

The properties held in unlisted or listed investments include (but are not limited to):

- office;
- multi-use (office/industrial);
- convenience retail; and
- industrial.

DPF's investment objectives[25] are:

- a stable income stream that is at least 1% p.a. above the average Commonwealth Government 10-year bond yield, calculated on a rolling basis over the previous five-year period; and
- a total return (income and capital growth) above the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index, while providing a consistent level of income.

7.5 DPF Financial information

(a) Introduction

The DPF financial information in this Explanatory Memorandum has been prepared by the DPF RE Board and comprises:

- The DPF historical financial information, as set out in Section 7.5(b), which comprises:
  - the summarised historical income statements of DPF for the years ended 30 June 2021 (**FY21**), 30 June 2020 (**FY20**) and 30 June 2019 (**FY19**);
  - the summarised historical distribution statements of DPF for FY21, FY20, FY19; and
  - the summarised historical statement of financial position of DPF as at 30 June 2021,

  (together referred to in this Explanatory Memorandum as the '**DPF Historical Financial Information**')
- The DPF forecast financial information on a standalone basis, as set out in Section 7.5(c), which comprises:
  - the summarised forecast income statement of DPF for the year ending 30 June 2022 (FY22); and
  - the summarised forecast distribution statement of DPF for FY22,

  (together referred to in this Explanatory Memorandum as the '**DPF Forecast Financial Information**')

The DPF Historical Financial Information and DPF Forecast Financial Information are together referred to as the DPF Financial Information.

Also summarised in this Section 7.5 are:

- the basis of preparation and presentation of the DPF Financial Information; and
- the assumptions underlying the DPF Forecast Financial Information.

22. The target allocation thresholds may change over time and represent a percentage of the DPF's total assets.
23. The target allocation thresholds may change over time and represent a percentage of the DPF's total assets.
24. Cash is held by Australian ADIs (including certificates of deposit, bank bills and other cash-like instruments) and will be no more than 20% of the DPF's net assets
25. The investment objective that we aim to deliver to investors is a statement of intent, and DPF cannot guarantee that DPF will achieve this.

(b) DPF Historical Financial Information

Basis of presentation of historical financial information

The DPF Historical Financial Information in this Section 7.5(b) relates to DPF on an as reported basis and accordingly does not reflect any pro forma impact of the Proposal proceeding.

The DPF summarised historical income statements have been derived from the audited statutory financial statements of DPF for FY21, FY20 and FY19 which were prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards ("**AAS**"). The DPF summarised historical statement of financial position is derived from the statutory financial statements of DPF for FY21. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards ("**IFRS**") and interpretations issued by the International Accounting Standards Board ("**IASB**"). These statutory financial statements were audited by PwC who issued unqualified audit opinions thereon.

This historical financial information is a summary only and the full financial statements for DPF for the above periods, which includes the accounting policies of DPF and other notes to the financial statements, can be found in DPF's financial reports for those periods. This historical financial information does not include all of the presentation disclosures, statements and comparative information as required by the AAS applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The preparation of financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results may differ from these estimates.

DPF's audited financial statements are available from DPF's website at **https://www.australianunity.com.au/wealth/investment-options/property/diversified-property-fund#announcements**. Past performance is not indicative of future performance.

Historically DPF has not presented a distribution statement in its annual financial report. The summarised historical distribution statements presented below are presented solely for inclusion in this Explanatory Memorandum and have been prepared and presented on a basis consistent with that used by AOF. The distribution statement includes Funds From Operations (**FFO**) as a key measure based on the definition of FFO used by the Property Council of Australia. FFO differs to statutory profit for the year primarily due to the exclusion of non-cash items and other unrealised or one-off items. Non-cash items primarily include changes in the value of investment properties, impairment of goodwill, fair value adjustments to financial instruments, amortisation of leasing commissions and tenant incentives and straight-lining of rental income. FFO is reconciled to statutory profit for the year below.

Historical income statements

DPF historical income statement – FY19 to FY21

$million	FY21	FY20	FY19
Rental income	36.7	36.9	28.7
Property expenses	(10.9)	(11.6)	(10.7)
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives[1]	(1.7)	(2.0)	(1.3)
Net property income	**24.1**	**23.3**	**16.7**
Interest income	-	-	0.1
Distribution income	1.4	1.8	3.5
Net gain/(loss) on financial instruments held at fair value through profit or loss	6.2	(15.0)	(3.2)
Net gain on disposal of investment property	17.0	12.0	-
Net fair value increment of investment properties	26.7	25.7	15.7
Other operating income	0.2	0.2	0.2
Responsible Entity's fees	(11.2)	(7.3)	(5.4)
Borrowing costs	(8.8)	(7.4)	(6.0)
Other expenses	(0.1)	(1.4)	(0.4)
Profit for the year	**55.6**	**32.0**	**21.3**

Notes:

1. In DPF's audited financial statements the straight-lining of rental income and the amortisation of rental abatements are recorded as a reduction of rental income. Amortisation of leasing commissions and tenant incentives are recorded in property expenses. Solely for purposes of presentation of the DPF Historical Financial Information, all of these non-cash items have been presented as a total in the above table, in order for unitholders to see the add-back of these items in determining FFO in the table below.

Historical distribution statements

DPF historical distribution statements – FY19 to FY21

$million	FY21	FY20	FY19
Profit for the year	55.6	32.0	21.3
Adjusted for:			
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	1.7	2.0	1.3
Net (gain)/loss on financial instruments held at fair value	(6.2)	15.0	3.2
Realised loss on disposal of investment property	(17.0)	(12.0)	-
Net fair value (increment)/decrement of investment properties	(26.7)	(25.7)	(15.7)
Amortisation of borrowing costs	0.6	0.6	0.3
Responsible Entity's Performance Fees	6.9	3.7	3.7
Non-recurring items[1]	0.4	1.2	-
Funds From Operations (FFO)	**15.2**	**16.7**	**14.0**
Distributions declared	27.7	22.8	13.5

Cents per unit	FY21	FY20	FY19
FFO	5.6	6.5	7.1
Ordinary distribution declared	5.6	6.4	6.8
Special distributions declared[2]	4.5	2.5	-
Payout ratio (ordinary distributions declared/ FFO)	99.0%	98.7%	96.2%

1. Non-recurring items in FY21 relate to rental guarantee payments from the sale of 278 Orchard Road, Richlands that were capitalised and in FY20 relate to the transaction costs associated with the acquisition of Australian Unity Retail Property Fund.
2. FY21 distribution includes a special distribution of 4.45cpu following a gain realised on the sale of 278 Orchards Road, Richlands. FY20 distribution includes a special distribution of 2.48cpu following a gain realised on the sale of 200 Victoria St, Carlton.

Statement of financial position as at 30 June 2021

DPF statement of financial position as at 30 June 2021

$million	As at 30 June 2021
Assets	
Cash and cash equivalents	22.5
Receivables and prepaid expenses[1]	4.7
Financial assets[2]	25.3
Investment properties	569.9
Total assets	**622.4**
Liabilities	
Distributions payable	13.0
Payables	11.7
Financial liabilities held at fair value through profit and loss	-
Borrowings	260.7
Total liabilities	**285.4**
Net assets	**337.0**
Contributed equity	299.0
Undistributed income	38.0
Net assets attributable to unitholders – equity	**337.0**

	As at 30 June 2021
Statement of financial position metrics:	
Number of units on issue (m)	287.8
Net Tangible assets $ per unit	1.17
Gearing[3]	39.9%

Notes

1. Receivables at 30 June 2021 included $0.4m distribution receivable from AOF.
2. Financial assets comprise solely units held by DPF in AOF.
3. Gearing is calculated as interest bearing liabilities, excluding unamortised borrowing costs, less cash, divided by total tangible assets less cash.

(c) DPF Forecast Financial Information

Basis of preparation

DPF has prepared the forecast income statement and distribution statement for the year ending 30 June 2022 on a stand-alone basis, unadjusted for items of revenue or expense that are expected to change if the Proposal is implemented.

The forecast financial information has been prepared applying the same accounting policies and methodologies as applied to the historical financial information. The forecast income statement comprises the actual results for the three months ended 30 September 2021 based on unaudited management accounts and forecast results for the nine months to 30 June 2022.

The forecast has been prepared using assumptions as detailed below.

The assumptions reflect the assessment of DPF based on present circumstances, anticipated economic and market conditions and the implementation of DPF's business strategies. While these assumptions are considered to be appropriate and reasonable at the time of preparing the forecast financial information, DPF unitholders should appreciate there are many factors which may affect the results which are outside the control of DPF or may not be capable of being foreseen or accurately predicted.

Accordingly, actual results may vary materially from the forecast results. DPF Unitholders are advised to review the assumptions described in this Section 7.5(c), and the risk factors in Section 10, and make their own assessment of the future performance and prospects of DPF in the event the Proposal does not proceed. DPF Unitholders should note past performance is not an indicator of future performance.

General assumptions

DPF's general assumptions underlying the stand-alone forecast financial information include:

- no material changes from current market expectations of economic and trading conditions in Australia;
- no material changes in legislation (including tax legislation), regulatory requirements or government policy that have a material impact on DPF's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosure;
- no material changes in AAS, the Corporations Act or other mandatory professional reporting requirement that have a material impact on DPF's financial performance, cash flows, financial position, accounting policies, financial reporting and disclosure;
- no business or property acquisitions, divestments, investments, partnerships, restructures or joint ventures are undertaken, other than those set out in the specific assumptions below;
- no material legal claims that have a material impact on DPF;
- no material interruptions, disruptions, disturbances, cyber security attacks or departures from normal operating conditions in relation to information and technology systems;
- no material contingent liabilities arise that are to the detriment of DPF;
- all tenants continue to meet their contractual obligations under lease agreements; and
- none of the risks set out in Section 10 occur, or if they do, none of them has a material adverse effect on DPF's operations, financial performance, financial position or cash flows.

Specific assumptions

DPF's specific assumptions for the FY22 stand-alone forecast financial information include:

- forecast net property income for existing leases based on independent third-party property managers who provide DPF with detailed rental income, outgoings expenses and recoveries by tenant by property; which are then reviewed and approved by the management of DPF. Forecast net property income also considers contractual indexation, future occupancy rates, tenant turnover or renewals, and market rentals;
- property management and services fees are based on an agreement with an entity related to DPF RE;
- lease commissions, fitout incentives, cash incentives and rent-free incentives that are expected to be paid are capitalised and amortised in accordance with DPF's accounting policies;
- distribution income from financial investments is based on published guidance provided by AOF;
- no change in the fair values of the investment properties or other financial assets from their carrying amounts as at 30 June 2021, other than additions for actual and forecast capital expenditure, capitalised leasing commission and capitalised incentives;
- DPF on a standalone basis would need to consider a range of asset sale alternatives to meet its future funding obligations. For the purpose of the DPF forecast income statement, 19 Corporate Avenue, Rowville is assumed to be sold and settled in January 2022 at the carrying amount of approximately $22 million, resulting in no gain or loss on sale. While the final sale value will not be known until binding contracts are exchanged, DPF has assumed the asset is disposed of at its current carrying value;

- DPF RE is entitled to management fees of 0.65% p.a. of the gross asset value and reimbursement of administration expenses (such as audit and registry fees) consistent with DPF's Constitution;
- DPF RE's performance fee is assumed to be nil;
- borrowing costs are based on DPF's forecast debt balances and existing facility fees. It is assumed that $200m of new interest rate swap derivatives will be entered into on 1 January 2022 at a rate of 1.0%. Forecast BBSY rates which apply for that portion of debt that is at a floating rate is assumed to be 0.10%;
- other expenses include $2.7m of transaction costs in relation to the Proposal (regardless of whether it does proceed or not);
- no impairment losses on receivables;
- capital expenditure on existing properties is forecast based on independent property manager recommendations for improvements, replacements, etc. and approved by the DPF RE Board; and
- new equity inflows of $37.5m (inclusive of DRP proceeds) and equity redemptions of $26.5m for the period of 1 October 2021 to 30 June 2022 based on recent historical experience.

Taxation

DPF is an Attribution Managed Investment Trust (AMIT). As a result, DPF should be treated as a fixed trust for Australian tax purposes and should generally be taxed on a "flow through" basis on the basis that it will attribute the taxable trust components to investors each financial year on a fair and reasonable basis.

Forecast income statement (on a DPF standalone basis)

DPF forecast income statement – FY22

$million	Forecast FY22
Rental income	39.3
Property expenses	(11.8)
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	(1.3)
Net property income	**26.2**
Interest income	-
Distribution income	1.5
Net gain/(loss) on financial instruments held at fair value through profit or loss	-
Net gain/(loss) on disposal of investment property	-
Net fair value increment/(decrement) of investment properties	-
Other operating income	0.2
Responsible Entity's fees	(4.0)
Borrowing costs	(7.7)
Other expenses[1]	(4.2)
Profit for the year	**12.0**

1. Other expenses include $2.7m of transaction costs in relation to the Proposal, fund administration expenses of $1.0m and one-off legal costs of $0.5m.

Forecast distribution statement

DPF forecast distribution statement- FY22

$million	Forecast FY22
Profit for the year	12.0
Adjusted for:	
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	1.3
Net (gain)/loss on financial instruments held at fair value	-
Realised loss on disposal of investment property	-
Net fair value (increment)/decrement of investment properties	-
Amortisation of borrowing costs	0.5
One off adjustment[1]	3.2
Add back: rental abatement incentives	0.1
FFO	**17.1**
Distributions declared	16.9

Cents per unit	Forecast FY22
FFO	5.8
Distributions declared	5.7
Payout ratio (distributions declared/FFO)	99%

1. DPF is forecast to incur $2.7m of transaction costs in relation to the Proposal, if it does not proceed. Other one off legal costs, expected to total, $0.5m are also added back. As these costs are one off in nature, the DPF RE Board intends to add them back when calculating FFO.

7.6 Material changes in DPF's financial position since last accounts published

As far as the DPF RE Board is aware, other than for the net of accrued earnings less any distributions declared following 1 July 2021, there has been no material change in the financial position of DPF since 30 June 2021, being the date of the last audited financial statements released by DPF RE to the ASIC.

7.7 Capital structure and debt

(a) Capital

As at 30 September 2021, DPF had net assets of $339.3 million, 292.3 million units on issue and a net asset value of $1.17 per unit.

(b) Debt

The debt drawn by DPF as at 30 June 2021 is $262 million and will be subject to the AUPF Refinancing following implementation of the Merger. See Section 9.6(c) for further information.

7.8 Corporate governance

(a) DPF RE Board

The DPF RE Board comprises:

- Rohan Mead;
- Esther Kerr-Smith; and
- Darren Mann,

who are each executives of the AUL Group.

(b) Management of DPF

The key people responsible for managing DPF are Victoria Padey, Jonathan Senior, Anna Flavell and Matthew Mitchell. Please refer to Section 9 for details about these key people.

8. Information about AOF

8.1 Overview of AOF

AOF is an ASX-listed REIT that wholly owns a diversified portfolio of properties located across Australian metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra. Its key objective is to provide sustainable income returns via quarterly distributions and the potential for capital growth over the long-term by investing in a diversified portfolio of Australian properties. AOF targets assets offering affordability, accessibility and amenity.

8.2 Responsible Entity

AOF RE is the responsible entity of AOF. AOF RE holds an AFSL (number 477434) issued by ASIC, which allows it to administer property and financial asset funds at a retail and wholesale level, prepare product disclosure statements and raise funds for property investment purposes.

AOF RE's investment approach is based on independent decision making to ensure high level of expertise across each investment discipline. AOF's management delivers economies of scale and consistent systems that are aligned with unitholder performance expectations.

AOF RE is a wholly owned subsidiary of Australian Unity Keppel Capital Pty Ltd, a joint venture company owned equally by subsidiaries of AUL and Keppel Capital Holdings Pte Ltd (CRN 201302079N), the asset management arm of Singapore-based Keppel Corporation Limited (CRN 196800351N).

8.3 Portfolio overview

A summary of AOF's portfolio metrics is shown below[26]:

(a) Key portfolio metrics

Portfolio metrics	AOF
Number of properties	8
Occupancy (by NLA)	95.6%
Portfolio value ($m)	609.6
Weighted average cap rate (%)	5.9%
WALE (years)	2.7
Net lettable area (sqm)	95,969

26. All metrics shown are as at 30 June 2021, adjusted for the acquisition of 96 York Street, Beenleigh which is expected to settle in January 2022 and proposed divestment of 32 Phillip Street Parramatta.

(b) Property portfolio

Market	Property	State	Independent valuation ($m)	Capitalisation rate	NLA (sqm)	WALE (years)	Occupancy (by NLA)
Parramatta	2 – 10 Valentine Ave	NSW	147.8	5.50%	16,020	1.0	97.3%
Macquarie Park	5 Eden Park Drive	NSW	73.5	5.50%	11,556	4.0	96.3%
Macquarie Park	2 Eden Park Drive	NSW	62.5	5.50%	10,346	2.7	100.0%
Beenleigh[27]	96 York Street	QLD	33.5	5.63%	4,661	10.0[28]	100.0%[29]
Brisbane CBD	150 Charlotte Street	QLD	97.0	6.00%	11,081	2.6	97.4%
Adelaide CBD	30 Pirie Street	SA	90.0	7.25%	24,665	1.7	96.1%
Melbourne Fringe	468 St Kilda Road	VIC	79.0	5.25%	11,211	3.9	92.7%
Canberra CBD	64 Northbourne Ave	ACT	26.3	7.00%	6,429	3.0	80.2%
Total (T) / Weighted Average (W)			**609.6 (T)**	**5.88% (W)**	**95,969 (T)**	**2.7 (W)**	**95.6% (W)**

For further details of AOF's portfolio, see Section 9.

8.4 Strategy and investment objectives

AOF announced that it was conducting a strategic assessment in February 2021. The outcome of the comprehensive strategic assessment was a refining of AOF's existing strategy, with an expanded asset ownership mandate allowing AOF to own commercial properties that align with the key asset attributes of affordability, accessibility and amenity.

AOF's investment objective is to provide unitholders with sustainable income returns via quarterly distributions and the potential for capital growth over the long-term by investing in a diversified portfolio of Australian properties. AOF's strategy is to:

- focus on owning Australian office properties in metropolitan and CBD markets, complemented by a targeted and diversified portfolio of Australian real estate assets;
- deliver unitholders sustainable and growing income returns via quarterly distributions;
- maximise returns to unitholders through value-add initiatives including developments, asset repositioning strategies, divestments and acquisitions;
- target inclusion in additional ASX and global indices; and
- maintain a capital structure which has target gearing level below 40%.

AOF RE will review this strategy from time to time when it considers it in the best interests of unitholders to do so.

If the Proposal does not proceed:

- AOF RE will continue to execute on this strategy. However, AOF Unitholders will not enjoy the potential benefits of implementation of the Proposal and, accordingly, AOF's ability to further deliver on its refined strategy including providing sustainable income returns and capital growth over the long-term will be reduced;
- AOF will continue to be listed on the ASX and operate at its existing scale, which may limit the trading liquidity of AOF Units and present challenges in obtaining inclusion in additional ASX and global indices; and
- AOF Unitholders will maintain exposure to the existing AOF assets. Noting AOF's lease expiry profile, the sustainability of AOF's future income is more uncertain than if the Proposal was implemented. This may ultimately impact the level of distributions AOF Unitholders receive in the future.

27. AOF RE has entered into a contract for the acquisition of the property which remains subject to conditions. Settlement of the acquisition is scheduled in January 2022, subject to the satisfaction of the conditions under the acquisition contract.
28. 86% of the NLA is leased to City of Logan on a 10-year lease, with a 2-year rental guarantee, over remaining 14% of NLA.
29. 86% of the NLA is leased to City of Logan on a 10-year lease, with a 2-year rental guarantee, over remaining 14% of NLA.

8.5 AOF Financial information

(a) Introduction

The AOF financial information in this Explanatory Memorandum has been prepared by the AOF Directors and comprises:

- The AOF historical financial information, as set out in Section 8.5(b), comprises:
  - the summarised historical income statements of AOF for the years ended 30 June 2021 (**FY21**), 30 June 2020 (**FY20**) and 30 June 2019 (**FY19**);
  - the summarised historical distribution statements of AOF for FY21, FY20 and FY19; and
  - the summarised historical statement of financial position of AOF as at 30 June 2021,

  (together referred to in this Explanatory Memorandum as the **AOF Historical Financial Information**).
- The forecast financial information of AOF on a stand-alone basis, as set out in Section 8.5(d), comprises:
  - the summarised forecast income statement of AOF for FY22; and
  - the summarised forecast distribution statement of AOF for FY22,

  (together referred to in this Explanatory Memorandum as the **AOF Forecast Financial Information**).

The AOF Historical Financial Information and AOF Forecast Financial Information are together referred to as the AOF Financial Information.

Also summarised in this Section 8.5 are:

- the basis of preparation and presentation of the AOF Financial Information; and
- the assumptions underlying the AOF Forecast Financial Information.

(b) AOF Historical Financial Information

Basis of presentation of historical financial information

The AOF Historical Financial Information in this Section 8.5(b) relates to AOF on an as reported basis and accordingly does not reflect any pro forma impact of the Proposal proceeding.

The AOF summarised historical income statements have been derived from the audited statutory financial statements of AOF for FY21, FY20 and FY19 which were prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards (**AAS**). The AOF summarised historical statement of financial position is derived from the statutory financial statements of AOF for FY21. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**). These statutory financial statements were audited by PwC who issued unqualified audit opinions thereon.

This Historical Financial Information is a summary only and the full financial statements for AOF for the above periods, which includes the accounting policies of AOF and other notes to the financial statements, can be found in AOF's financial reports for those periods. This Historical Financial Information does not include all of the presentation disclosures, statements and comparative information as required by the AAS applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The preparation of financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results may differ from these estimates.

AOF's audited financial statements are available from AOF's website at https://www.australianunityofficefund.com.au/news-and-announcements. Past performance is not indicative of future performance.

AOF's annual report to unitholders includes AOF's distribution statement presented as FFO. The summarised historical distribution statements presented in this Section are derived from the distribution statements presented in the annual reports for FY19 to FY21 (and which can be found at the above website).

Historical income statements

AOF historical income statement – FY19 to FY21

$million	FY21	FY20	FY19
Rental income	56.8	57.8	55.9
Property expenses	(16.4)	(17.4)	(15.0)
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives[1]	(5.9)	(5.0)	(1.6)
Net property income	**34.5**	**35.4**	**39.4**
Interest income	-	-	-
Net gain/(loss) on financial instruments held at fair value through profit or loss	3.1	(3.1)	(5.8)
Net (loss) on disposal of investment property	(0.5)	-	-
Net fair value increment/(decrement) of investment properties	(1.7)	(2.9)	24.3
Responsible Entity's fees	(4.1)	(4.2)	(3.9)
Borrowing costs	(6.6)	(7.8)	(7.9)
Other expenses[2]	(1.5)	(4.2)	(1.2)
Profit for the year	**23.3**	**13.2**	**44.8**

Notes

1. In AOF's audited financial statements the straight-lining of rental income and the amortisation of rental abatements are recorded as a reduction of rental income. Amortisation of leasing commissions and tenant incentives are recorded in property expenses. Solely for purposes of presentation of the AOF Historical Financial Information, all of these non-cash items have been presented as a total in the above table, in order for unitholders to see the add-back of these items in determining FFO in the table below.
2 FY20 other expenses include $2.9m of expenses in relation to offers from CHAB Office Trust and SOF-XI Legs Holdings Limited (Starwood) to purchase all the outstanding units of AOF, and a potential asset acquisition. These proposals did not proceed. FY19 other expenses include $0.2m of expenses in relation to the Starwood transaction.

Historical distribution statement

AOF historical distribution statements – FY19 to FY21

$million	FY21	FY20	FY19
Profit for the year	23.3	13.2	44.8
Adjusted for:			
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	5.9	5.0	1.6
Net (gain)/loss on financial instruments held at fair value	(3.1)	3.1	5.8
Realised loss on disposal of investment property	0.5	-	-
Net fair value (increment)/decrement of investment properties	1.7	2.9	(24.3)
Amortisation of borrowing costs	0.3	0.4	0.3
One off adjustment[1]	-	2.9	0.2
Add back: rental abatement incentives[2]	2.1	2.0	1.6
FFO	**30.6**	**29.6**	**30.1**
Distributions declared	24.6	24.4	25.7

Cents per unit	FY21	FY20	FY19
FFO	18.7	18.2	18.5
Distributions declared	15.0	15.0	15.8
Payout ratio (distributions declared/ FFO)	80.3%	82.4%	85.4%

Notes

1. FY20 one off adjustments relate to the CHAB transaction, Starwood transaction and a potential acquisition as noted above. As these costs are one off in nature, and not part of the underlying and recurring expenses of AOF, they are excluded from the calculation of FFO.
2. When assessing FFO, Directors also add back rental abatement incentives to ensure consistency with the treatment of rent-free incentives and fitout incentives.

Consolidated statement of financial position as at 30 June 2021

AOF statement of financial position as at 30 June 2021

$million	As at 30 June 2021
Assets	
Cash and cash equivalents	8.9
Receivables	0.6
Other assets	1.0
Investment properties	638.9
Total assets	**649.4**
Liabilities	
Distributions payable	6.2
Payables	7.2
Financial liabilities held at fair value through profit and loss	1.0
Borrowings	190.2
Total liabilities	**204.5**
Net assets	**444.8**
Contributed equity	374.0
Undistributed income	70.8
Net assets attributable to unitholders	**444.8**

	As at 30 June 2021
Statement of financial position metrics	
Number of units on issue (m)	164.4
Net tangible assets $ per unit	2.71
Gearing[1]	28.4%

Notes

1. Gearing is calculated as interest bearing liabilities, excluding unamortised borrowing costs, less cash, divided by total tangible assets less cash.

(c) AOF Forecast Financial Information

Basis of preparation

AOF has prepared the forecast income statement and distribution statement for the year ending 30 June 2022 on a stand-alone basis. A statutory forecast income statement and distribution statement for the year ending 30 June 2022 is presented in Section 9.5(b) which assumes the Proposal is implemented.

The forecast financial information has been prepared applying the same accounting policies and methodologies as applied to the historical financial information. The forecast income statement comprises the actual results for the three months ended 30 September 2021 based on unaudited management accounts and forecast results for the nine months to 30 June 2022.

The forecast has been prepared using the assumptions as detailed below.

The assumptions reflect the assessment of AOF, based on present circumstances, of anticipated economic and market conditions and the implementation of AOF's business strategies. While these assumptions are considered to be appropriate and reasonable at the time of preparing the forecast financial information, AOF Unitholders should appreciate there are many factors which may affect the results which are outside the control of AOF directors or may not be capable of being foreseen or accurately predicted.

Accordingly, actual results may vary materially from the forecast financial information. AOF Unitholders are advised to review the assumptions described in this Section 8.5(b), and the risk factors in Section 10, and make their own assessment of the future performance and prospects of AOF in the event the Proposal does not proceed. AOF Unitholders should note past performance is not an indicator of future performance.

General assumptions

AOF's general assumptions underlying the stand-alone forecast financial information include:

- no material changes from current market expectations of economic and trading conditions in Australia;
- no material changes in legislation (including tax legislation), regulatory requirements or government policy that have a material impact on AOF's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosure;
- no material changes in AAS, the Corporations Act or other mandatory professional reporting requirement that have a material impact on AOF's financial performance, cash flows, financial position, accounting policies, financial reporting and disclosure;
- no business or property acquisitions, divestments, investments, partnerships, restructures or joint ventures are undertaken, other than those set out in the specific assumptions below;
- no material legal claims that have a material impact on AOF;
- no material interruptions, disruptions, disturbances, cyber security attacks or departures from normal operating conditions in relation to information and technology systems;
- no material contingent liabilities arise that are to the detriment of AOF;
- all tenants continue to meet their contractual obligations under lease agreements; and
- none of the risks set out in Section 10 occur, or if they do, none of them has a material adverse effect on AOF's operations, financial performance, financial position or cash flows.

Specific assumptions

AOF's specific assumptions for the stand-alone forecast financial information include:

- forecast net property income for existing leases based on independent third-party property managers who provide AOF with detailed rental income, outgoings expenses and recoveries by tenant by property; which are then reviewed and approved by the management of AOF. Forecast net property income also considers contractual indexation, future occupancy rates, tenant turnover or renewals, and market rentals;
- property management and services fees are based on an agreement with an entity related to AOF RE;
- lease commissions, fitout incentives, cash incentives and rent-free incentives that are expected to be paid are capitalised and amortised in accordance with AOF's accounting policies;
- no change in the fair values of the investment properties or other financial assets from their carrying amounts as at 30 June 2021, other than additions for actual and forecast capital expenditure, capitalised leasing commission and capitalised incentives;
- the acquisition of 96 York St, Beenleigh for $33.52m plus costs for which contracts have been executed is assumed to settle in January 2022;
- the proposed sale of 32 Phillip St, Parramatta for which agents have recently been appointed is assumed to be sold in April 2022 at its carrying amount as at 30 June 2021 resulting in no gain or loss on the sale;
- AOF RE is entitled to management fees of 0.60% p.a. of the gross asset value up to $750 million and 0.55% p.a. thereafter, consistent with AOF's Constitution;

- borrowing costs are based on AOF's forecast debt balances, existing facility fees and interest rate swap derivatives. Forecast BBSY rates which apply for that portion of debt that is at a floating rate is assumed to be 0.10%;
- other expenses include $2.0m of transaction costs in relation to the Proposal (regardless of whether it does proceed or not);
- no impairment losses on receivables;
- no equity inflows or outflows; and
- capital expenditure on existing properties is forecast based on recommendations for improvements, replacements, etc. by the property asset managers.

Taxation

AOF is an AMIT. AOF should therefore be treated as a fixed trust for Australian tax purposes and should generally be taxed on a "flow through" basis on the basis that it will attribute the taxable trust components to investors each financial year on a fair and reasonable basis.

Forecast income statement

AOF forecast income statement – FY22

$million	Forecast FY22
Rental income	55.0
Property expenses	(15.1)
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	(5.8)
Net property income	**34.1**
Interest income	-
Responsible Entity's fees	(3.9)
Borrowing costs	(5.6)
Other expenses	(3.8)
Profit for the year	**20.8**

Forecast distribution statement

AOF forecast distribution statement – FY22

$million	Forecast FY22
Profit for the year	20.8
Adjusted for:	
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	5.8
Amortisation of borrowing costs	0.3
One off adjustment[1]	2.0
Add back: rental abatement incentives	1.3
FFO	**30.2**
Distributions declared	25.0

Cents per unit	Forecast FY22
FFO	18.4
Distributions declared	15.2
Payout ratio (distributions declared/ FFO)	82.6%

Notes

1. AOF is forecast to incur $2.0m of transaction costs in relation to the Proposal if it does not proceed. As these costs are one off in nature, the AOF Directors intend to add them back when calculating FFO.

(d) Guidance for FY22

As announced to ASX on 25 August 2021, subject to no material change in current market conditions and no unforeseen events, AOF provided FFO guidance for FY22 of between 18.0 and 18.5 cents per AOF Unit, and distribution guidance for FY22 of 15.2 cents per AOF Unit.

(e) Material changes in financial position

AOF announced on 21 July 2021 the acquisition of 96 York Street, Beenleigh, Queensland for $33,520,000 excluding acquisition costs. The building has a net lettable area of 4,661 sqm, with 4,009 sqm of office space leased to Logan City Council for 10 years with two 5 year options and annual rent increases of the greater of 3.0% or CPI. The acquisition will be funded from undrawn debt facilities which increased following the sale of 241 Adelaide Street, Brisbane, Queensland. Settlement is expected to occur in January 2022.

As far as the AOF RE Board is aware, other than for the net of accrued earnings less any distributions declared following 1 July 2021 and the above matters, there has been no material change in the financial position of AOF since 30 June 2021, being the date of the last audited financial statements released by AOF RE to the ASX.

8.6 Capital structure

(a) Units on issue

As at the date of this Explanatory Memorandum, AOF has 164,383,437 AOF Units on issue.

(b) Substantial AOF Unitholders

The substantial AOF Unitholders as at the date of this Explanatory Memorandum are as follows:

Unitholder	Number of securities	% of issued securities
Hume Partners Pty Ltd and other entities[30]	32,831,199	19.97%
Australian Unity Property Limited and related entities[31]	24,237,925	14.74%
Maso Capital Investments Limited and affiliates[32]	14,830,000	9.02%
Valtellina Properties Pty Ltd	9,976,564	6.07%
Salvatore Tarascio (Salta Group)	8,379,244	5.10%

Keppel Capital Two Pte Ltd lodged a substantial holder notice on 3 February 2020 in respect of 21,904,000 units in AOF as a result of it forming a joint venture with Australian Unity Investments Strategic Holdings Pty Ltd, which does not reflect an acquisition of units in AOF by Keppel. Keppel does not have any economic interest in the 21,904,000 units in AOF.

AOF RE has relied on substantial holder notices provided to it up to the date of this Explanatory Memorandum, which are available on the ASX website, to compile the above information. Information in relation to changes in substantial holdings before this time or in respect of which the relevant announcement is not available to AOF RE has not been taken into consideration.

8.7 Capital management

AOF has maintained a disciplined and conservative approach to capital management. Key debt terms are listed below:

Metric	As at 30 June 2021
Weighted average cost of debt	2.9%[1]
Weighted average debt term to maturity	2.5 years
Facility limit	$250.0m
Undrawn capacity	$59.2m[2]
Hedge ratio	89.1%
Interest coverage ratio	5.2x
Weighted average term of interest rate hedging	2.5 years

Notes:

1. As at 24 August 2021, and incorporates the impact of the restructuring of interest rate swaps.
2. $33,52 million of undrawn debt capacity allocated to the purchase of 96 York Street, Beenleigh.

30. Details of substantial holders listed in its Notice of change of interests of substantial holder dated 22 February 2021.
31. Interests in the AOF Units held for various funds. Details of substantial holders listed in its Notice of change of interests of substantial holder dated 26 February 2020.
32. Details of substantial holders listed in its Notice of change of interests of substantial holder dated 1 November 2019.

8.8 Distribution policy

AOF has a policy to distribute between 80% and 100% of its FFO each financial year. Distributions by AOF are intended to be paid quarterly, with AOF Unitholders to receive distributions within two months following the end of each distribution period, being the quarters ending 31 March, 30 June, 30 September and 31 December each year.

8.9 Distribution reinvestment plan

AOF RE has established rules for the participation by AOF Unitholders in a distribution reinvestment plan, pursuant to which eligible AOF Unitholders may elect to reinvest distributions and receive additional AOF Units.

The operation, suspension and termination of the Distribution Reinvestment Plan is at the discretion of AOF RE. The Distribution Reinvestment Plan was suspended from the quarter ended 31 March 2021. As at the date of this Explanatory Memorandum, the Distribution Reinvestment Plan is not active.

Under the rules of the Distribution Reinvestment Plan, participation by AOF Unitholders is optional and not transferrable and is limited to AOF Unitholders (or, where AOF Units are beneficially held, the beneficial owner) whose registered address is in Australia or New Zealand, unless AOF RE otherwise determines in its absolute discretion in accordance with the rules of the Distribution Reinvestment Plan.

If AOF RE elects to operate the Distribution Reinvestment Plan, full details will be available on the governance section of AOF's website (www.australianunityofficefund.com.au), including the distributions if any in respect of which the Distribution Reinvestment Plan is available.

8.10 Valuation policy

AOF has adopted a real property valuation policy under which investment properties are initially measured at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition. Subsequent to initial recognition, investment properties are stated at fair value and revalued on a regular basis to ensure the carrying amount of each property does not differ materially from its fair value at the balance date. A full independent valuation of each fully constructed property is carried out at least once every 12 months. In line with this policy, all properties were independently revalued as at 30 June 2021.

Notwithstanding the above, the directors of AOF RE determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

8.11 Corporate governance

(a) Overview

The AOF RE Board comprises a majority of independent directors, including an independent Chair.

The AOF RE Board is committed to high standards of corporate governance and a high level of transparency, disclosure and interaction with the investment market. The AOF RE's corporate governance framework complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations to the extent that they are applicable to AOF (as an externally managed trust) and AOF RE.

Copies of the Charters and Policies adopted by AOF RE can be found on AOF's website, www.australianunityofficefund.com.au.

(b) Board charter

The primary function of the AOF RE Board is to ensure that AOF is managed in the best interests of AOF Unitholders. This involves monitoring the decisions and actions of the management team who are responsible for the day-to-day management of AOF. The AOF RE Board has formalised its roles and responsibilities into the AOF RE Board Charter. The key functions of the AOF RE Board include:

- approving of the AOF strategy and overseeing its implementation;
- overseeing the integrity of financial reporting systems (including external audit);
- approving and monitoring the risk management strategy applicable to the AOF (including determining its risk tolerance);
- approving major investments and material capital commitments;
- reviewing the performance of the Investment Manager and Property Manager appointed under an investment management agreement and property management agreement respectively;
- reviewing and overseeing the AOF's corporate governance policies and practices, risk management framework and internal controls and compliance;
- determining the terms of reference, membership and composition of any committee of the AOF RE Board; and
- overseeing, directing and monitoring compliance with the Corporations Act, ASX Listing Rules, conditions of AOF RE's AFSL and other statutory duties and obligations imposed by law.

The AOF RE Board collectively, and each AOF RE Director individually, has the right to seek independent professional advice in the performance of their duties as an AOF RE Director.

(c) AOF RE Board and Company Secretary

Director / Position	Experience, qualifications and expertise
(William) Peter Day Independent Non-Executive Director and Chairman, member of Audit & Risk Committee	Mr Day was appointed as a director to the AOF RE Board and Chairman in October 2015. Mr Day's professional career includes senior executive roles in finance and general management in mining, manufacturing, food and financial services industries at companies including Bonlac Foods, Rio Tinto, CRA Limited and Comalco. He was Chief Financial Officer for Amcor for seven years until 2007. Mr Day currently holds a number of non-executive director roles and is the non-executive Chairman of Alumina. He is a former non-executive director of Ansell Ltd (2007–2021), Federation Centres Limited (2009–2014), Orbital Corporation Limited (2007–2014), Boart Longyear Limited, SAI Global, former Chairman of the Australian Accounting Standards Board and was Deputy Chairman of the ASIC and has been a member of the Takeovers Panel. Mr Day holds a Bachelor of Laws LLB (Hons) from Queen Victoria University in Manchester, England, and a Master of Administration from Monash University in Melbourne. He is a Chartered Accountant (FCA) and an FCPA.
Don Marples Independent Non-Executive Director, Chair of Audit & Risk Committee	Mr Marples was appointed as a director to the AOF RE Board in October 2015. Mr Marples is an experienced director in both the public and private sectors, with more than 30 years' experience in senior management positions working in real estate funds management, infrastructure, construction, banking and investment banking. Mr Marples is currently a non-executive director of several companies, including MPC Funding Limited. Previously, Mr Marples held senior executive positions at Lend Lease Group, Fortius Funds Management and Commonwealth Bank, and was a non-executive director of Murray Irrigation Limited. Mr Marples is a Fellow of the Australian Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australia (FINSIA). He holds a Masters of Commerce from the University of New South Wales.
Eve Crestani Independent Non-Executive Director and member of Audit & Risk Committee	Ms Crestani was appointed as a director to the AOF RE Board in October 2015. Ms Crestani is a professional director and business consultant with a background in law and management. Her career spans over 35 years with her primary focus being financial services and professional services industries. Ms Crestani is a non-executive director of booking.com Pty Limited (Australia & New Zealand) and Soils for Life Ltd, and non-executive chair of Acorn Capital Limited. Previously Ms Crestani was a non-executive director of Australian Unity Limited (1996 – 29 February 2016), a former Chairman of Mercer Superannuation Australia Limited, and Mercer Outsourcing (Australia) Pty Limited, and Zurich Australia Limited. Ms Crestani is a member of the ASX Appeal Tribunal, has a Diploma of Law and is a founding fellow of the Australian Institute of Company Directors. She is a business strategist, with 25 years' experience consulting to large organisations on enterprise transformation and strategic change programs. She is highly regarded for her expertise in property strategies and specifically in the future of work and workplace concepts.

Director / Position	Experience, qualifications and expertise
Greg Willcock Non-Executive Director	Mr Willcock was appointed as a director to the AOF RE Board in October 2015, and is the director nominated by Australian Unity as a shareholder of AOF RE. Mr Willcock has over 33 years' experience in banking and financial services in Australia, United States of America and the United Kingdom including seven years in general management roles at National Australia Bank in the areas of risk management, strategy and change management. Mr Willcock has been a director of Australian Unity since March 2012 and is a director of a number of AUL subsidiaries and a member of the Risk & Compliance Committee and the Audit Committee. He was formerly the chairman of Big Sky Building Society Limited (now Australian Unity Bank Limited), and a director of the Customer Owned Banking Association (COBA). Mr Willcock holds a Bachelor of Commerce and is a Fellow of the Australian Institute of Company Directors.
Erle Spratt Non-Executive Director	Mr Spratt was appointed as a director to the AOF RE Board in June 2020, and is the director nominated by Keppel Corporation as a shareholder of AOF RE. Mr Spratt is currently the Australian head of Keppel Capital, a property and infrastructure manager. Mr Spratt has extensive property development and funds management experience across Australia and Asia, including roles with M&G Real Estate and Lend Lease. Mr Spratt holds a Bachelor of Economics.
Liesl Petterd Company Secretary	Ms Petterd was appointed as company secretary in October 2016. Ms Petterd joined Australian Unity in 2013 and is currently Head of Governance and Business Services, Wealth and Capital Markets. Ms Petterd has over 20 years of experience in finance, taxation, funds management operations and governance including roles at PricewaterhouseCoopers and Bell Asset Management Limited. Ms Petterd holds combined Bachelors of Commerce and Laws from the University of Tasmania and a graduate diploma in corporate governance, and is a member of the Governance Institute of Australia.

(d) Management of AOF

The key people responsible for managing AOF are Nikki Panagopoulos, Simon Beake, Giovanna Reale, Tim Kemp-Bishop, Michael Carabetta and Peter Hugh. Please refer to Section 9.8 for further details.

AOF is supported by the broader AUL Group including debt capital markets, development management, capital transactions, valuation research and advisory, and Wealth and Capital Markets support services.

(e) D&O insurance

AOF RE Directors are indemnified by the AOF RE in accordance with the constitution of AOF RE and will have the benefit of appropriate directors' and officers' insurance cover at the cost of AOF RE.

(f) Audit and Risk Committee Charter

The AOF RE Board has established an Audit & Risk Committee (ARC) and implemented an Audit & Risk Committee Charter (ARC Charter). The ARC Charter states the main purposes of the ARC are to:

- oversee the risk management framework for identifying, assessing, mitigating and monitoring material risks arising from the activities of AOF and AOF RE;
- evaluate on an ongoing basis, the effectiveness of AOF and AOF RE's risk management framework and identify opportunities for its enhancement or change;
- assist the AOF RE Board in discharging its responsibilities relating to the preparation and integrity of AOF RE and AOF's financial accounts and statements;
- monitor compliance with legal, regulatory requirements and compliance policies; and
- ensure adequacy and independence of external audit functions.

Operational responsibility for identification and management of risk is vested in senior management.

The Audit & Risk Committee's members are appointed by the AOF RE Board and must comprise at least three members, each of whom are non-executive Directors, the majority of whom are independent. Independent non-executive Director Don Marples has been appointed by the AOF RE Board to chair the Audit and Risk Committee, with independent non-executive Directors Peter Day and Eve Crestani members of the Audit and Risk Committee.

(g) Code of Conduct

A code of conduct applies to all executives and directors of AOF RE, together with all officers and employees of AUL who are involved in the management or provision of services to AOF. The Code of Conduct sets out the standards of ethical behaviour required of the AOF RE Board, executives, senior management and employees associated with AOF and aims to ensure that the highest standards of honesty, integrity and ethical behaviour are observed by all. The Code of Conduct also sets out the AOF RE Board's view on conflicts of interest and related party transactions involving the AOF RE Board and employees and other legal and compliance obligations (including compliance with the ASX Corporate Governance Principles).

(h) Continuous Disclosure Policy

AOF RE is committed to fair and open disclosure and its policy has been adopted to ensure AOF meets its disclosure obligations under the Corporations Act and the ASX Listing Rules. The overriding principle of AOF's Continuous Disclosure Policy is to ensure that it complies with the ASX Listing Rules and provides equal access to information and promotes quality communication between AOF and third parties, such as AOF Unitholders, the investment community, the media and the ASX. AOF RE's Company Secretary is responsible for ensuring AOF complies with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. AOF's website www.australianunityofficefund.com.au, also provides information accessible to all AOF Unitholders and interested parties.

(i) Communication Policy

AOF RE has adopted a Communication Policy in order to ensure that there is effective communication between AOF and AOF Unitholders and to encourage AOF Unitholders to participate at general meetings. In accordance with the Communication Policy, AOF's website (www.australianunityofficefund.com.au) is continually updated and contains recent announcements, annual report and results announcements, disclosure documents, and market information and is a significant component of the communications strategy.

(j) Securities Trading Policy

AOF RE has adopted a Securities Trading Policy that applies to all directors and employees of each member of the AUL Group who are involved in the management or provision of services to AOF, together with the AOF RE Directors and associates of such persons (Restricted Persons). The policy sets out the procedures for permission and disclosure of trading in AOF Units by certain key personnel, including the AOF RE Directors. It also makes it clear that dealing or trading on insider information is illegal and sets out what is insider information and what is information which is generally available.

Restricted Persons are at all times prohibited from dealing in Units during the following prescribed blackout periods:

- during the six week period immediately leading up to and including the day the half year financial results of AOF are announced, plus the day after;
- during the six week period immediately leading up to and including the day the full year financial results of AOF are announced, plus the day after; and
- any other period as advised to Restricted Employees by the AOF RE Company Secretary.

The policy is designed to ensure fair and transparent trading in accordance with both the law and best practice.

(k) Whistleblower Policy

AOF RE has adopted a Whistleblower Policy which supports and encourages internal stakeholders of AOF to speak up against actual or suspected improper conduct, as follows:

- facilitating the AOF RE Board to manage and reduce risk of improper conduct within or by AOF RE or AOF;
- supporting AOF RE Directors and executives to freely raise concerns about actual or suspected improper conduct without fear of repercussions; and
- reinforcing and protecting the values of AOF RE and the principles of the Code of Conduct (described in Section 8.11(g)).

The Whistleblower Policy includes details of what conduct is covered, how complaints can be made, including to an independent external alert service and identifying who the whistleblower protection officers within AOF RE are.

(l) Anti-Bribery Policy

AOF RE has a zero tolerance approach to bribery, fraud and corruption. Each of these acts are serious criminal offences and are inconsistent with the values of AOF RE. AOF's Anti-Bribery Policy sets out a framework, in conjunction with the Whistleblower Policy, for employees to report suspected fraud, bribery or corruption. Any reports made under this policy are investigated by AOF RE's Audit & Risk Committee (see Section 8.11(f)).

8.12 Environmental, social and ethical considerations

AOF RE and its related bodies corporate involved in investment decisions relating to AOF take into account labour standards, and environmental, social and ethical considerations when selecting, retaining or realising investments. For this purpose, AUFML as investment manager of AOF, and AUPML as property manager of AOF, have regard to the AUL Group's Responsible Investment Management Policy for Direct Property which includes relevant labour standards and the environmental, social and ethical considerations. In addition, AOF's asset management strategy maintains a sustainability framework incorporating green initiatives, in design and services when repositioning, developing, refurbishing and acquiring assets.

8.13 Disclosing entity

AOF is a disclosing entity and is required to meet the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. Copies of documents lodged in compliance with such requirements that are lodged with ASIC in relation to AOF may be obtained from or inspected at, an ASIC office. AOF Unitholders may obtain a copy of AOF's most recently lodged annual financial report, and half year financial report and any continuous disclosure notices before the date of this document, from AOF RE upon request.

9. Information about AUPF

9.1 Strategy and investment objectives

AUPF's objective will be to provide AUPF Unitholders with sustainable income returns via quarterly distributions and the potential for capital growth over the long-term by investing in a diversified portfolio of Australian properties.

AUPF's strategy will be to:

- focus on owning Australian office properties in metropolitan and CBD markets, complemented by a targeted and diversified portfolio of Australian real estate assets, and offering affordability, accessibility and amenity;
- deliver unitholders sustainable and growing income returns via quarterly distributions;
- maximise returns to AUPF Unitholders through value-add initiatives including developments, asset repositioning strategies, divestments and acquisitions;
- target inclusion in additional ASX and global indices; and
- maintain a capital structure which has target gearing below 40%.

AOF RE will review this strategy from time to time when it considers it in the best interests of AUPF Unitholders to do so.

9.2 Investment strategy

AUPF, to be created as a result of the Proposal, will be an ASX-listed REIT holding approximately $1.2 billion of diversified assets.

A summary of AUPF's portfolio is set out below[33]:

(a) Key portfolio metrics

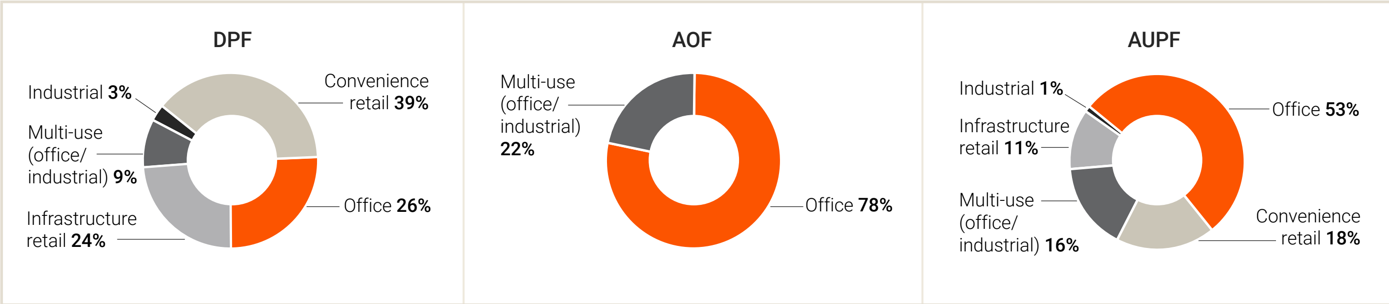
Portfolio metrics	AOF	DPF	AUPF
Number of properties[34]	8	10	18
Occupancy (by NLA)	95.6%	98.5%	96.8%
Portfolio value ($m)	609.6	543.8	1,153.4
Weighted average cap rate (%)	5.9%	5.6%	5.8%
WALE (years)	2.7	8.2	4.9
Net lettable area (sqm)	95,969	67,038	163,007

AOF RE will be the responsible entity of AUPF. AOF RE will continue to use the services of AUFML as investment manager and AUPM as property manager for AUPF. AUFML and AUPM are part of the Australian Unity property business unit which is an established, well regarded investment manager of commercial and health care property with approximately $4.1 billion of real estate funds under management as at 30 June 2021. The property business has a development pipeline of $1.25 billion as at 30 June 2021, with lending and debt facilities on behalf of investors (through property funds and its commercial lending activities) of $1.57 billion.

33. All metrics shown are as at 30 June 2021, adjusted for the acquisition of 96 York Street, Beenleigh and proposed divestment of both 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville.

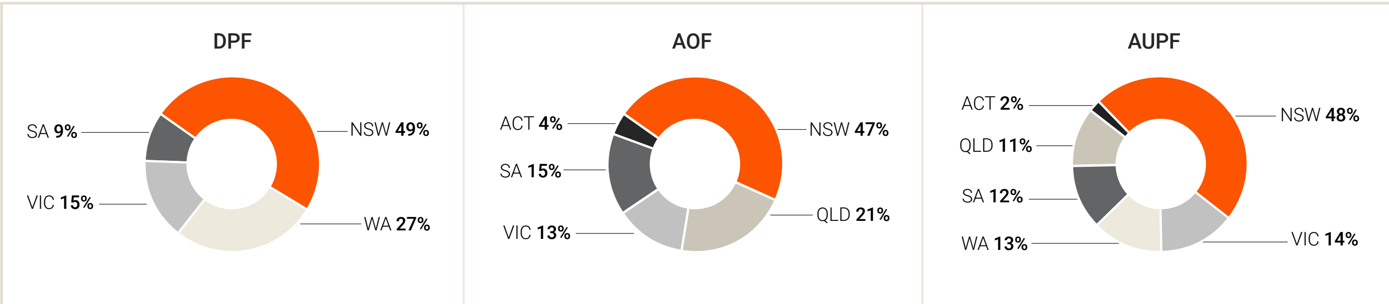
34. Certain properties consolidated for reporting purposes; refer to section 7.3.

(b) Asset type (by book value)



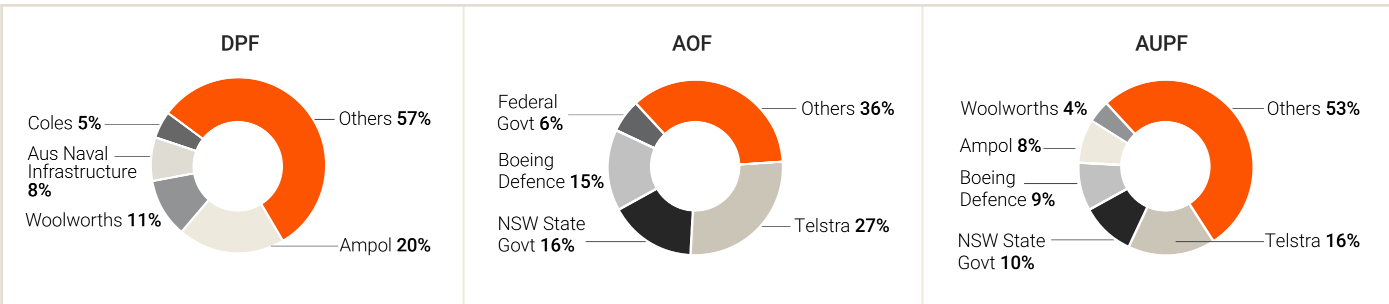
(c) Location of properties (by book value)

AUPF maintains a geographically diverse portfolio of assets. The graph below outlines the change in geographic contribution of direct properties as a result of the Proposal.



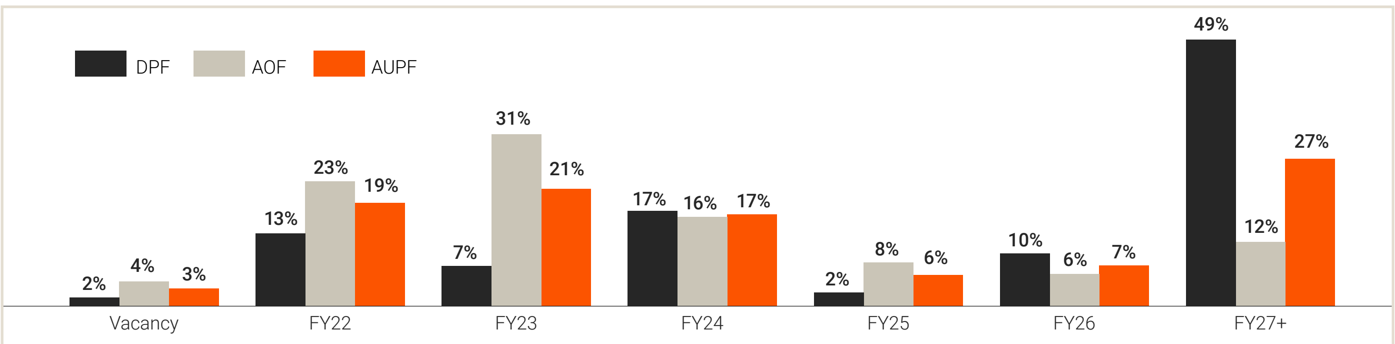
(d) Tenant diversification (by income)

The combination of two complementary portfolios will reduce tenant concentration while maintaining the quality of its largest blue-chip tenants including Telstra, NSW State Government, Ampol and Woolworths. The graph below shows the reduced contribution of existing tenants as a result of the Proposal.



(e) Lease expiry profile (by NLA)

AUPF's portfolio has a lease expiry profile spread across a number of years.



9.3 Portfolio and asset overview

Set out below are summaries of the individual properties in the AOF and DPF direct property portfolios as at 30 June 2021.

(a) DPF portfolio of assets

20 Smith Street Parramatta, NSW

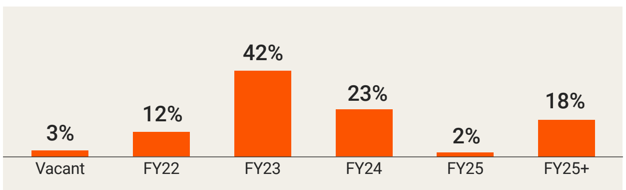
- $83.5m modern eight level office building in Parramatta
- Contains a three-level carpark with capacity for 182 vehicles and ground level retail
- $5m capital invested: NABERS Energy 4.5 stars, end of trip constructed 2015, full lift upgrade 2016, foyer upgrade 2017

Strategy:

- Maintain active leasing strategy and ensure high occupancy and vacant space is leased
- Engage early with GHD to renew their lease prior to expiry in FY23
- Explore the development opportunity to increase the gross floor area to 19,000sqm from 8,628sqm by adding an additional 7 floors

Ownership interest	100% freehold interest
Sector	Office
Zoning	B3 Commercial Core
Site Area	2,017m^2
Net Lettable Area	7,392m^2
Occupancy (% by NLA)	97%
Independent valuation	$83.5m[35]
Capitalisation rate	5.38%
WALE by income	2.3 years
Major tenant (% by NLA)	GHD (23.5%)

Lease expiry profile (by NLA)



35. Book value was $83.5 million at 30 June 2021.

1 and 2 Technology Place Williamtown, NSW

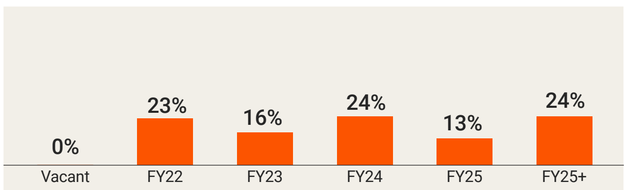
- $54.9m campus-style commercial office park, adjacent to Newcastle Airport and the Williamtown Royal Australian Air Force (RAAF) Base, known as Williamtown Aerospace Centre
- Includes a decked car park for RAAF and site employees of 479 bays
- Designed to service as a premier Defence office park precinct
- Acquired 31 May 2021

Strategy:

- Actively engage with Boeing to renew lease term and increase weighted average lease expiry
- Explore the feasibility of re-developing existing decked parking to provide additional office space
- Explore the acquisition of adjacent vacant land to extend the campus

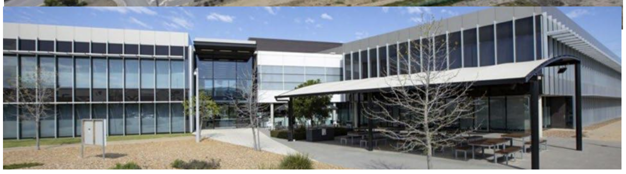
Ownership interest	100% freehold interest
Sector	Multi-use (office/industrial)
Zoning	B7 Business Park
Site Area	17,825m^2
Net Lettable Area	7,557m^2
Occupancy (% by NLA)	100%
Independent valuation	$54.9m[36]
Capitalisation rate	6.00%
WALE by income	3.4 years
Major tenant (% by NLA)	Boeing Defence Australia (24.7%)

Lease expiry profile (by NLA)



36. Book value was $58.6 million at 30 June 2021.

620 Mersey Road Osborne, SA

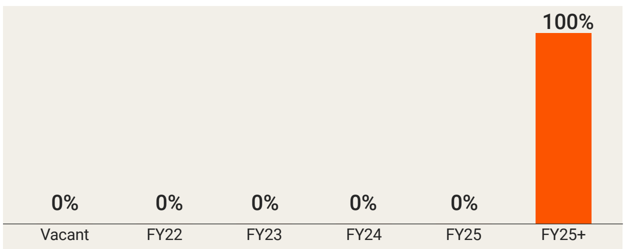
- $49.3m two level office and industrial warehouse, 330 carparks, located 21 km north-west of the Adelaide CBD
- Leased to Australian Naval Infrastructure (Commonwealth Government) until 2030
- Includes two vacant pad sites earmarked for future development

Strategy:

- Explore the development opportunity of adding an additional two office/multi use buildings on the two 3,000m² vacant pad sites

Ownership interest	100% freehold interest
Sector	Multi-use (office/industrial)
Zoning	Strategic Employment Zone (National Naval Shipbuilding Zone) – City of Port Adelaide Enfield
Site Area	25,140m²
Net Lettable Area	8,006m²
Occupancy (% by NLA)	100%
Independent valuation	$49.3m[37]
Capitalisation rate	5.00%
WALE by income	9.0 years
Major tenant (% by NLA)	Australian Naval Infrastructure (100.0%)

Lease expiry profile (by NLA)



37. Book value was $49.3 million at 30 June 2021.

19 Corporate Avenue Rowville, VIC[38]

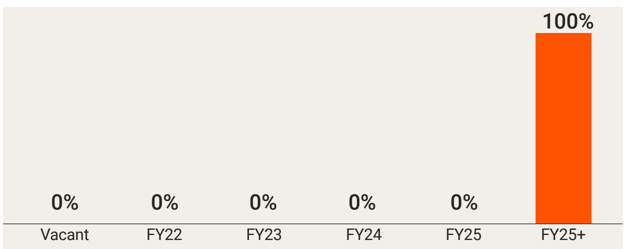
- $22.0m semi-modern industrial office and warehouse facility located in one of Melbourne's premier eastern industrial precincts approximately 26 km from the Melbourne CBD
- The two-level office and adjoining high clearance warehouse is on 21,000 sqm
- The tenant has occupied the site since 1996, with a new 7-year lease commencing 29 July 2021

Strategy:

- DPF proposes to sell 19 Corporate Avenue, Rowville in the short term to take advantage of supporting market conditions

Ownership interest	100% freehold interest
Sector	Industrial
Zoning	C2Z Commercial 2 Zone
Site Area	20,950m²
Net Lettable Area	12,398m²
Occupancy (% by NLA)	100%
Independent valuation	$22.0m[39]
Capitalisation rate	4.75%
WALE by income	7.0 years
Major tenant (% by NLA)	Regal Beloit Australia (100.0%)

Lease expiry profile (by NLA)



38. DPF has received conditional offers and is proposing to sell 19 Corporate Ave, Rowville in the short term.

39. Book value was $22.0 million at 30 June 2021.

6-8 Geddes Street Balcatta, WA

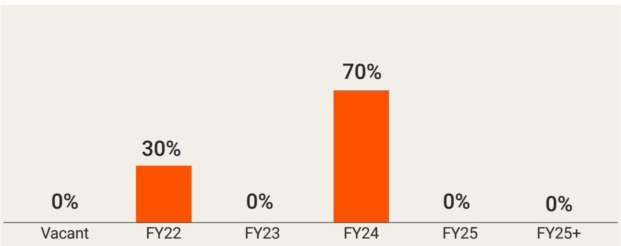
- $14.3m industrial warehouse and distribution facility in the City of Stirling approximately 11 km north of Perth's CBD
- Includes a 3,000m^2 adjacent parcel of land (5 Kenhelm Street, site area), providing opportunities for expansion of the facility

Strategy:

- Ongoing tenant discussions with IGA to understand their future requirements to explore the possibility of an IGA-led development and extend their existing term
- Consolidation of the Geddes Street and Kenhelm Street sites to enable development
- Explore potential divestment opportunity in short to medium term

Ownership interest	100% freehold interest
Sector	Industrial
Zoning	Industry TPS 3
Site Area	19,794m^2
Net Lettable Area	9,992m^2
Occupancy (% by NLA)	100%
Independent valuation	$14.3m[40]
Capitalisation rate	6.00%
WALE by income	2.4 years
Major tenant (% by NLA)	IGA Distribution (70.0%)

Lease expiry profile (by NLA)



Note: Geddes Street, Balcatta consolidated for reporting purposes with Kenhelm Street, Balcatta.

40. Book value was $14.3 million at 30 June 2021.

Ampol (Caltex) Twin Service Stations, Wyong NSW

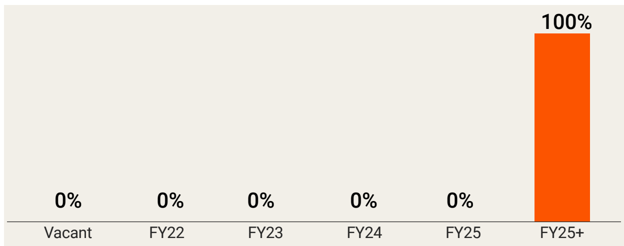
- Twin service centres positioned northbound and southbound on the M1 Pacific Motorway at Wyong between Sydney and Newcastle
- Ampol (formerly Caltex) has leased the premises since the 1990s with a new 20-year lease agreed in 2018
- Each service centre includes 4 sub-tenants, including McDonalds, the Foodary and Cafés
- The total site area of 42 hectare includes significant unused vacant land, with development opportunity

Strategy:

- Ongoing active engagement with Ampol to upgrade their existing facilities with an opportunity to introduce electronic-vehicle charging stations
- Masterplan a development opportunity to capture value add from the unused vacant land to maximise site utilisation and income

Ownership interest	100% freehold interest
Sector	Infrastructure retail
Zoning	Lot 32: SP2 Infrastructure: Road & Traffic Facility, E2 Environmental Conservation, E3 Environmental Management Lot 41: SP2 Infrastructure: Road & Traffic Facility
Site Area	420,380m^2
Net Lettable Area	4,286m^2
Occupancy (% by NLA)	100%
Independent valuation	$130.0m[41]
Capitalisation rate	5.00%
WALE by income	17.0 years
Major tenant (% by NLA)	Ampol (formerly Caltex) (100.0%)

Lease expiry profile (by NLA)



41. Book value was $130.0 million at 30 June 2021.

North Blackburn Shopping Centre, VIC

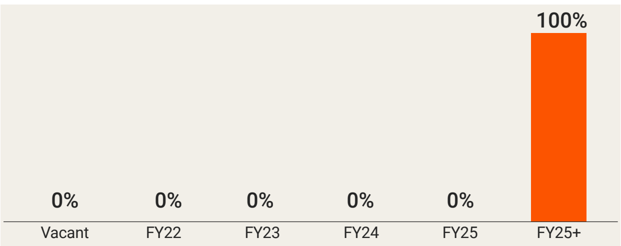
- Supermarket anchored convenience retail centre located approximately 16 km east of the Melbourne CBD
- Current major tenant is Woolworths
- 5 hectare site area with a development opportunity to increase the gross lettable area to approximately 18,000sqm on completion over a 2 stage development. Gross lettable area will be approximately 13,400sqm on completion of Stage 1 which is underway, introducing a new line 4,000sqm Coles supermarket and 11 non-discretionary specialty retailers to the northern end of the centre

Strategy:

- Complete Stage 1 re-development in early-2022
- Progress Stage 2 of the development post Stage 1 to introduce a unique triple-supermarket convenience retail centre, including a childcare facility, medical and a food and beverage precinct

Ownership interest	100% freehold interest
Sector	Convenience retail
Zoning	Commercial 1
Site Area	49,510m²
Net Lettable Area	6,329m²
Occupancy (% by NLA)	100%
Independent valuation	$79.0m[42]
Capitalisation rate	6.00%
WALE by income	8.4 years
Major tenant (% by NLA)	Woolworths (58.4%)

Lease expiry profile (by NLA)



42. Book value was $79.0 million at 30 June 2021.

Dog Swamp Shopping Centre, WA

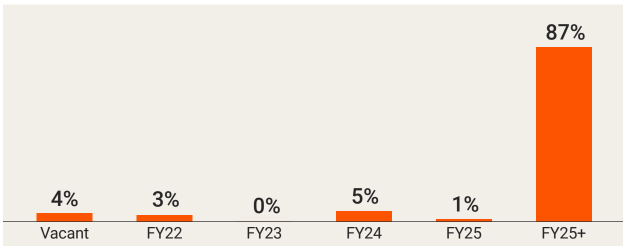
- Convenience retail centre in Yokine approximately 5 km north of Perth CBD anchored by Woolworths and ALDI with 36 specialties
- Recent centre development and capital investment of $9m, introducing ALDI and 7 specialty retailers including a food and beverage precinct and end of trip amenities has resulted in an increase in WALE from 3.0 to 8.4 years and repositioned the centre

Strategy:

- Actively manage the lease expiry profile to ensure the optimum non-discretionary tenancy mix
- Implement the rooftop solar strategy to improve net return and improve ESG credentials

Ownership interest	100% freehold interest
Sector	Convenience retail
Zoning	District Centre
Site Area	23,862m²
Net Lettable Area	8,036m²
Occupancy (% by NLA)	97%
Independent valuation	$52.8m[43]
Capitalisation rate	6.00%
WALE by income	8.4 years
Major tenant (% by NLA)	Woolworths (41.6%)

Lease expiry profile (by NLA)



43. Book value was $52.8 million at 30 June 2021.

Woodvale Boulevard Shopping Centre, WA

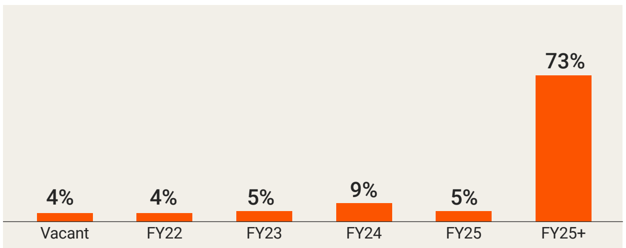
- Convenience retail of on a site area of approximately 2.5 hectares of land in the City of Joondalup approximately 17 km north of Perth CBD
- Anchored by Woolworths with 27 specialties
- An internal mall refurbishment was completed in 2015-2016, introducing the opportunity for casual mall leasing and a skylight drawing in natural light

Strategy:

- Actively manage expiry profile to optimise income and tenancy mix
- An active masterplan strategy is underway to further enhance the centre with the opportunity of future redevelopment

Ownership interest	100% freehold interest
Sector	Convenience retail
Zoning	Business
Site Area	27,200m^2
Net Lettable Area	6,378m^2
Occupancy (% by NLA)	96%
Independent valuation	\$33.5m[44]
Capitalisation rate	6.50%
WALE by income	4.5 years
Major tenant (% by NLA)	Woolworths (55.5%)

Lease expiry profile (by NLA)



44. Book value was \$33.5 million at 30 June 2021.

Busselton Central Shopping Centre, WA

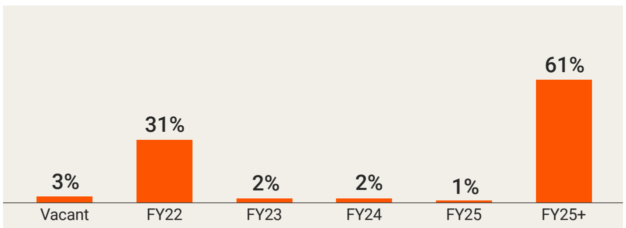
- Convenience retail centre in Busselton, WA anchored by a 4,000m^2 Coles supermarket with a 15-year lease that commenced in November 2019, including 20 specialties
- Value-add development strategy underway for a 3-stage development with stages 1 and 2 complete as at February 2020, introducing Coles, Best and Less and a link mall for the opportunity to integrate the centre with the adjoining vacant land (stage 3)
- Repositioning strategy commenced in 2018 due to be completed November 2022

Strategy:

- Maintain an active leasing campaign
- Progress Stage 3 of the development masterplan, including creation of a 5-screen cinema, dining precinct and two mini-majors

Ownership interest	100% freehold interest
Sector	Convenience retail
Zoning	Regional Centre
Site Area	30,790m^2
Net Lettable Area	9,062m^2 [45]
Occupancy (% by NLA)	97%
Independent valuation	\$46.6m[46]
Capitalisation rate	6.25%
WALE by income	7.7 years
Major tenant (% by NLA)	Coles (43.1%)

Lease expiry profile (by NLA)



Note: Busselton Central Shopping Centre is consolidated for reporting purposes with adjoining 21 Prince Street Busselton and vacant Lots 121, 122 and 309 WALE, occupancy and lease expiry profile excludes 21 Prince Street as site held for development.

45. Includes Busselton Central Shopping Centre and 21 Prince Street.

46. Book value was \$46.9 million at 30 June 2021.

(b) AOF portfolio of assets

10 Valentine Avenue, Parramatta NSW*

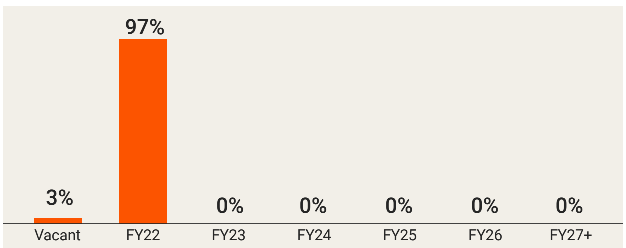
- A-grade office property comprising 14 levels of office space, located approximately 100 metres from the Parramatta Bus and Railway Interchange and Westfield Parramatta
- Leased to the NSW State Government (PNSW) who have occupied the property since construction in 1987

Strategy:

- Active management repositioning and refurbishment strategy is underway to deliver sustainable base building initiatives and superior tenant amenity, including energy efficient base building facilities, smart lifts, touchless, sensor best in class end-of-trip with bike racks for visitors
- Active leasing campaign to negotiate new lease agreements with prospective tenants including the NSW Stage Government for current and future accommodation

Ownership interest	100% freehold interest
Sector	Office
Zoning	B3 Commercial Core
Site Area	3,935m^2
Net Lettable Area	16,020m^2
Occupancy (% by NLA)	97%
Independent valuation	$147.8m[47]
Capitalisation rate	5.50%
WALE by income	1.0 year
Major tenant (% by NLA)	Property NSW (97.3%)

Lease expiry profile (by NLA)



2 Valentine Avenue, Parramatta NSW*


Artist's Impression

- A development approved office tower opportunity will provide approximately 28,000m^2 of A grade accommodation over 24 office levels with two outdoor terraces
- A development application to join 2 and 10 Valentine Avenue together into a campus style office accommodation, providing further flexibility and integrating the lobby and podium is underway
- Design incorporates excellent sustainability credentials, 5.5 star NABER Energy, 6 Star Green Star and a Gold Well rating from the base building for occupancy comfort and wellness

Strategy:

- Active leasing campaign seeking pre-commitment to enable approvals to commence construction
- Opportunity to develop as a single property and split the title to increase flexibility (2–10 Valentine all on one title)

47. Includes 2 Valentine Avenue, Parramatta

32 Phillip Street, Parramatta NSW[48]

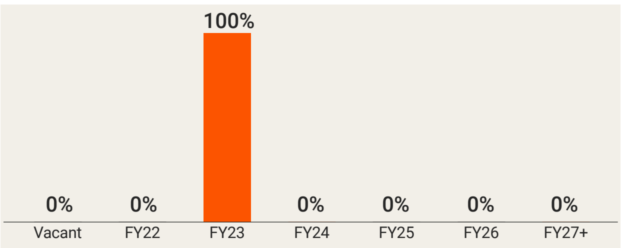
- B grade office building, comprising 8 levels of office accommodation and 104 car parking bays on levels 1–4, located within the northern portion of the Parramatta commercial precinct in close proximity to the Church Street retail strip

Strategy:

- AOF is investigating the potential sale of 32 Phillip Street, Parramatta to take advantage of supportive market conditions

Ownership interest	100% freehold interest
Sector	Office
Zoning	B4 Mixed Use in accordance with the Parramatta Local Environmental Plan 2011
Site Area	1,151m²
Net Lettable Area	6,759m²
Occupancy (% by NLA)	100%
Independent valuation	$62.8m
Capitalisation rate	5.38%
WALE by income	2.0 years
Major tenant (% by NLA)	GE Capital Finance (100.0%)

Lease expiry profile (by NLA)



5 Eden Park Drive, Macquarie Park NSW

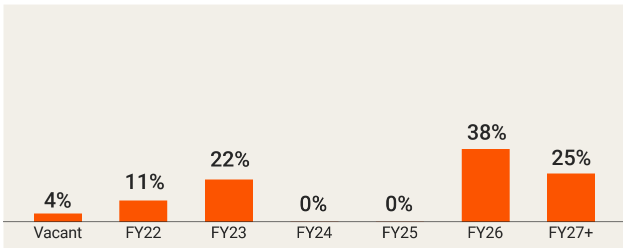
- A-grade modern office and warehouse property comprising three levels of office accommodation and a hi-tech production and warehouse area, in close proximity to the Macquarie Park railway station on the Sydney Metro Northwest railway link
- Saluda has leased Level 1, while Aegros has acquired CPSA and leases the warehouse and production facilities
- Both tenants are in growth industries which may result in further expansion into the building

Strategy:

- Active asset management leasing strategy targeted at addressing tenant retention and vacancy
- Explore value add redevelopment strategy following updated Macquarie Park planning regulations

Ownership interest	100% freehold interest
Sector	Multi-use (office / industrial)
Zoning	Part B3 Commercial Core and Part B7 Business Park
Site Area	9,731m²
Net Lettable Area	11,556m²
Occupancy (% by NLA)	96%
Independent valuation	$73.5m
Capitalisation rate	5.50%
WALE by income	4.0 years
Major tenant (% by NLA)	Aegros (formerly Contract Pharmaceutical Services of Australia) (38.4%)

Lease expiry profile (by NLA)



48. AOF is investigating the potential sale of 32 Phillip Street, Parramatta.

2 Eden Park Drive, Macquarie Park NSW

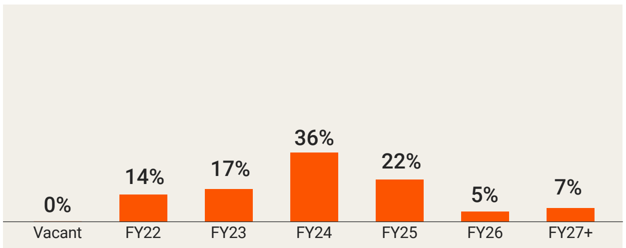
- Multi use complex comprising 16 attached office and warehouse units. The three level office areas are at the front of the property with the warehouse at the rear, split over two levels
- The unique nature of the property, being predominantly small quality offices attached to high clearance warehouse, provides for sustained and long term occupancy

Strategy:

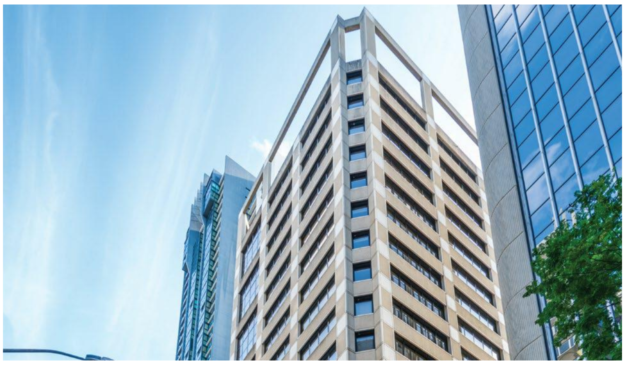
- Active asset management leasing strategy targeted at addressing tenant retention and vacancy
- Explore value add redevelopment strategy following updated Macquarie Park planning regulations

Ownership interest	100% freehold interest
Sector	Multi-use (office / industrial)
Zoning	B3 Commercial Core
Site Area	10,340m²
Net Lettable Area	10,346m²
Occupancy (% by NLA)	100%
Independent valuation	$62.5m
Capitalisation rate	5.50%
WALE by income	2.7 years
Major tenant (% by NLA)	NuSkin Australia (15.7%)

Lease expiry profile (by NLA)



150 Charlotte Street, Brisbane QLD



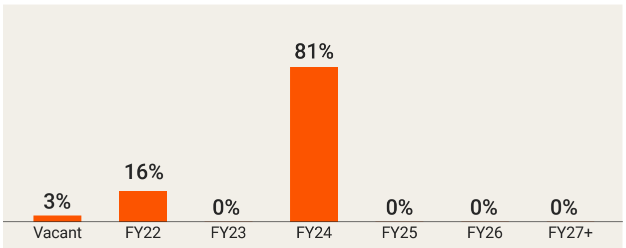
- A-grade office building centrally located in Brisbane's CBD, with 16 levels of office space and the midtown precinct location with construction of a new train station 200 metres from the asset
- Boeing, the major tenant, has reinvested by upgrading and installing an integrated security system, and new services creating efficient connectivity within the Boeing tenancies

Strategy:

- Maintain strong and active tenant relationship with Boeing Defence Australia and the Commonwealth of Australia to understand changes to their ongoing and future occupancy requirements. Seek to negotiate long term lease extensions
- Exploring the opportunity for ground floor amenity enhancements and base building lift upgrade

Ownership interest	100% freehold interest
Sector	Office
Zoning	PC1 Principal Centre – City Centre
Site Area	1,679m²
Net Lettable Area	11,081m²
Occupancy (% by NLA)	97%
Independent valuation	$97m
Capitalisation rate	6.00%
WALE by income	2.6 years
Major tenant (% by NLA)	Boeing Defence Australia (80.7%)

Lease expiry profile (by NLA)



30 Pirie Street, Adelaide SA

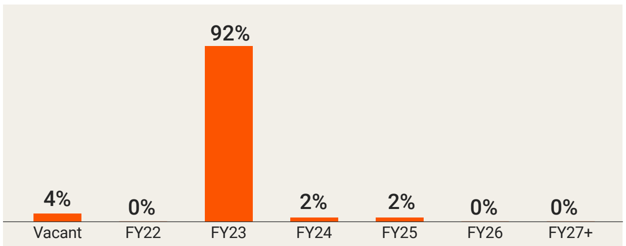
- A-grade office property that is centrally located in Adelaide's CBD, comprising 23 levels of office space
- Building predominantly leased to Telstra, who have occupied the property since its construction in 1987

Strategy:

- Active asset management strategy including maintaining an active dialogue with Telstra aiming to renew their occupancy requirement. Telstra have reviewed their occupancy needs and issued a brief to the Adelaide market for 4,500–7,000m^2
- Active leasing campaign for the current vacant space which has been fully refurbished / spec fitted
- Refurbishment strategy underway to create a vibrant forecourt and ground floor introducing state-of-the-art touchless end-of-trip facilities and amenities, including base building lift services upgrade

Ownership interest	100% freehold interest
Sector	Office
Zoning	Capital City zone – City of Adelaide
Site Area	3,040m^2
Net Lettable Area	24,665m^2
Occupancy (% by NLA)	96%
Independent valuation	$90.0m
Capitalisation rate	7.25%
WALE by income	1.7 years
Major tenant (% by NLA)	Telstra (92.0%)

Lease expiry profile (by NLA)



468 St Kilda Road, Melbourne VIC

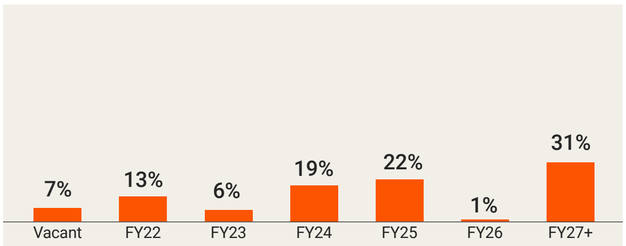
- B-grade office building comprising 13 levels, with refurbishments carried out progressively since 2010
- Well located and the property will benefit from the Government's metro rail project due for completion in 2025, with ANZAC station located circa 500 metres from the property

Strategy:

- Continue with an active asset management strategy, addressing tenant retention and improving WALE
- Active subdivision of floors to attract smaller tenants and reduce vacancy downtimes
- While the existing commercial use is the highest and best use, AOF will continue to monitor this as residential development may present future opportunities

Ownership interest	100% freehold interest
Sector	Office
Zoning	Commercial 1 Zone
Site Area	2,357m^2
Net Lettable Area	11,211m^2
Occupancy (% by NLA)	93%
Independent valuation	$79.0m
Capitalisation rate	5.25%
WALE by income	3.9 years
Major tenant (% by NLA)	TLC Aged Care (16.1%)

Lease expiry profile (by NLA)



64 Northbourne Avenue, Canberra ACT

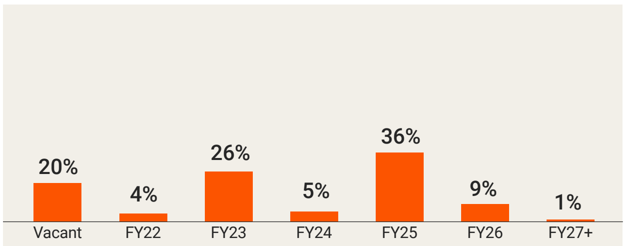
- B-grade property comprising six levels of office accommodation
- Located on a prominent corner in the Canberra CBD within close proximity of the prime retail precinct, the City Bus Interchange and the main station of the Canberra Light Rail Network
- The façade has been repainted to improve the asset's appearance

Strategy:

- Active leasing strategy to maintain and increase occupancy
- Active asset management strategy includes subdividing vacant floors with speculatively fit outs
- Actively pursue a diversified mix of smaller tenants to mitigate future lumpy expiry profile

Ownership interest	100% freehold interest
Sector	Office
Zoning	CZ1 Core Zone subject to ACT Territory Plan 2008
Site Area	1,583m^2
Net Lettable Area	6,429m^2
Occupancy (% by NLA)	80%
Independent valuation	$26.3m
Capitalisation rate	7.00%
WALE by income	3.0 years
Major tenant (% by NLA)	Manpower Services (26.8%)

Lease expiry profile (by NLA)



96 York Street, Beenleigh QLD*

Artist's Impression

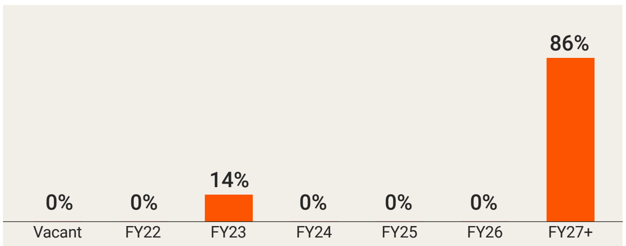
- Modern newly constructed A-grade office property, with sustainability initiatives including solar panels and rainwater harvesting
- Located in a central government hub in Beenleigh, within 550 meters of the train station and easy connections to Brisbane and the Gold Coast
- Comprises seven floors of office accommodation, 4,009sqm leased to the Logan City Council for 10-years with two 5-year options
- The property also benefits from a 2 year rental guarantee on the vacant space

Strategy:

- Actively manage the relationship with the City of Logan and Department of Water
- Actively manage leasing opportunities for the small office suites and retail space on the ground floor

Ownership interest	100% freehold interest
Sector	Office
Zoning	Centre Zone
Site Area	1,022m^2
Net Lettable Area	4,661m^2
Occupancy (% by NLA)	100%
Independent valuation	$33.5m
Capitalisation rate	5.63%
WALE by income	10.0 years
Major tenant (% by NLA)	Logan City Council (86.0%)

Lease expiry profile (by NLA)



* AOF RE has entered into a contract for the acquisition of the property which remains subject to conditions. Settlement of the acquisition is scheduled in January 2022, subject to the satisfaction of the conditions under the acquisition contract.

7.4 Current and future portfolio value-add opportunities

North Blackburn Shopping Centre, Vic

North Blackburn Shopping Centre is a convenience retail centre located in the suburb of North Blackburn approximately 16 kilometres east of Melbourne CBD. A repositioning strategy was undertaken to enhance the centre, including a two-stage development. Total development cost for stages 1 and 2 will be approximately $70 million.

Stage 1 (Current)

Stage 1 – Before

Stage 1 – Artist's Impression

- Commenced in May 2020 comprising a new Coles Supermarket, 11 new specialties with fresh food mini major, upgraded tenant amenities and re graded parking facilities
- Practical completion for this stage is anticipated in February 2022, which will see the new Coles Supermarket commence with a new 15-year lease
- 100% pre leased (by income), which will provide a substantial uplift to the WALE at completion.

Stage 2 (Future)

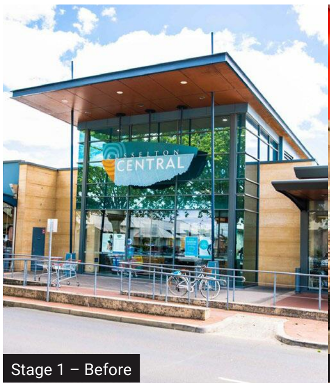
Stage 2 – Artist's Impression

- Proposed stage 2 will see the remainder of the North Blackburn Shopping Centre refurbished and expanded with additional specialty retailers, childcare, a gymnasium and mini major tenancies to complete the repositioning of the asset
- 70% of the stage 2 income is pre-committed with 10 or more year lease terms to childcare, medical, and the ALDI and Woolworths supermarkets
- This stage is set to commence in during 2022.

Busselton Central Shopping Centre, WA

Busselton Central Shopping Centre is a convenience retail centre of approximately 9,000sqm located in the Geographe Bay region, 230 kilometres southwest of the Perth CBD. A repositioning strategy commenced in 2018, including a four-stage development to enhance future income and capital value. The total development costs for stages 1 to 3 have been estimated at $50 million.

Stages 1 & 2 (Complete)



Stage 1 – Before

Stages 1 & 2 – After

- Stages 1 & 2 were completed February 2020, including the integration of Coles, Liquorland, Best and Less mini major, a new link mall and 6 new specialties, as well as the commencement of adjacent land acquisitions for Stage 3
- Since Stage 2 was completed, there has been 25% growth to Moving Annual Turnover (at approximately $52 million)
- The centre currently has a valuation of $47.0 million with a 6.25% cap rate

Stage 3 (Future)

Stage 3 – Artist's Impression

- The proposed Stage 3 links the existing centre to include an interactive entertainment, food and beverage precinct, with a unique CBD and community amenity adjoining Mitchell Park
- 70% of the Stage 3 income is pre-committed, including a 5 Screen Cinema on level 1, Cotton On Mega, a dining precinct including local operators and a Tavern, Café and Restaurants opening onto Mitchell Park
- Works for stage 3 are anticipated to commence in November 2021, with completion anticipated for November 2022

2 and 10 Valentine Avenue, Parramatta NSW

10 Valentine Avenue is an A-grade office property comprising 14 levels of office space of approximately 16,000sqm located approximately 100 metres from the Parramatta Bus and Railway Interchange and Westfield Parramatta. A repositioning strategy is currently underway for the office building at 10 Valentine Avenue.

2 Valentine Avenue is a development approved office tower providing an opportunity for 28,000sqm over 24 levels to progress providing a 50% lease pre-commitment.

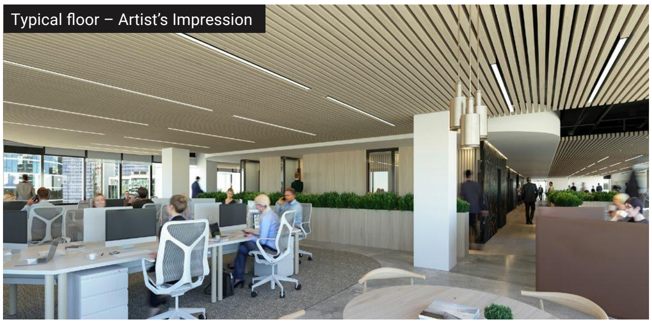
A development application is underway for a podium and lobby upgrade to join 2 and 10 Valentine Avenue together via an interactive lobby, with a podium offering campus style office accommodation of circa 40,000sqm and providing further flexibility to the existing 2 Valentine Avenue development application.

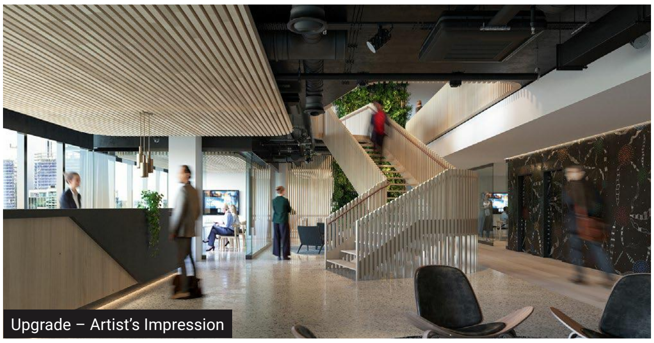
2 Valentine Avenue (Future)


Artist's Impression

- This property is an opportunity to develop approximately 28,000m^2 of A grade accommodation over 24 office levels with two outdoor terraces
- The design incorporates:
  - excellent sustainability credentials
  - 5.5 star NABER Energy
  - 6 Star Green Star
  - a Gold Well rating from the base building for occupancy comfort
- Superior natural light delivered from the island site

10 Valentine Avenue (Future)


Typical floor – Artist's Impression


Upgrade – Artist's Impression

- There is a strong focus on base building refurbishment, delivered with sustainability initiatives, offering A Grade office accommodation with superior tenant amenities including:
  - state of the art, A+ energy efficient air conditioning;
  - zero touch and sensor taps & soap dimensions for optimal hygiene;
  - smart lifts with mobile enabling call functionality; and
  - end of trip facilities that are best in class, with bike racks for visitors and tenants exceeding local planning requirement

30 Pirie St, Adelaide SA

Artist's Impression

An A-grade office property that is centrally located in the heart of Adelaide's CBD, comprising 23 levels of office space spanning circa 24,665sqm. The building is predominantly leased to Telstra, who have occupied the property since its construction in 1987.

A repositioning and refurbishment strategy is currently being master planned with a focus to create an activated vibrant forecourt and ground floor lobby introducing a concierge and creating connectivity to the open space adjoining the site.

Additionally, hub style meeting rooms with state-of-the-art third space amenity, base building and typical floor are being designed to maximise the occupancy experience and wellness in the office building. A state-of-the-art touchless end-of-trip facility, exceeding PCA A-grade requirements will also be included.

9.5 AUPF Financial information

(a) Introduction

Concurrently with implementation of the Proposal, the combined DPF and AOF will be renamed Australian Unity Property Fund. The combination will be accounted for as an acquisition of DPF by AOF and accordingly the financial information for AUPF will reflect the consolidation of DPF by AUPF. This section provides financial information in relation to AUPF to assist AOF Unitholders in understanding the impact the implementation of the Proposal will have on them (**AUPF Financial Information**).

The following pro forma financial information has been prepared by the AOF Directors (who will also become the AUPF Directors) and is presented in this Section 9.5:

- the pro forma historical Statement of Financial Position of AUPF as at 30 June 2021, as set out in Section 9.5(b), which assumes the effects of completion of the Proposal as if it occurred on that date (AUPF Pro Forma Historical Statement of Financial Position);
- AUPF pro forma forecast income statement and distribution statement for the year ending 30 June 2022, as set out in Section 9.5(c), which assumes consolidation of DPF as if its acquisition by AOF occurred on 1 July 2021 (AUPF Pro Forma Forecast); and
- the statutory forecast AUPF income statement and distribution statement for the year ending June 2022, as set out in Section 9.5(d), which assumes consolidation of DPF by AOF from the effective date of control, being the date of completion of the Proposal on Wednesday, 22 December 2021 (AUPF Statutory Forecast).

The AUPF Pro Forma Forecast, AUPF Statutory Forecast and the AUPF Pro Forma Historical Statement of Financial Position are together referred to in this Explanatory Memorandum as the **AUPF Pro Forma Financial Information**.

The AUPF Pro Forma Financial Information has been prepared by and is the responsibility of AOF (except to the extent that the AUPF Financial Information is based on information provided by DPF, for which DPF takes responsibility). DPF does not assume any responsibility for the accuracy and completeness of the AUPF Financial Information (except to the extent that the AUPF Financial Information is based on information provided by DPF, for which DPF takes responsibility). This section 9.5 should be read in conjunction with the limitations contained in the Important Notices section of this Explanatory Memorandum under the heading "Responsibility for Information".

Basis of preparation of, and assumptions underlying, the AUPF Pro Forma Financial Information

Accounting policies

The AUPF Pro Forma Financial Information contained in this Section 9.5 is prepared in accordance with the recognition and measurement principles of AAS, although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by the AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The accounting policies used to prepare the Pro Forma Financial Information are based on the accounting policies of AOF. Following a review by AOF of DPF's accounting policies, the accounting policies of DPF and AOF are not materially different.

Acquisition accounting

The AUPF Financial Information is prepared with AOF treated as the acquiring entity. Accordingly, the historical consolidated financial information has been adjusted to give effect to the impact of the consideration issued in connection with the Proposal. In the AUPF Pro Forma Historical Statement of Financial Position, AOF's purchase price has been allocated to DPF's assets acquired and liabilities assumed based upon the AOF Directors' preliminary estimate of their respective fair values. Any differences between the fair value of the consideration issued, and the fair value of the assets acquired and liabilities assumed will be recognised as goodwill, a discount on acquisition, or an expense.

Accordingly, the purchase price allocation adjustments reflected in the AUPF Pro Forma Financial Information have been made solely for the purpose of preparing the AUPF Pro Forma Financial Information and will differ to a final determination of fair value upon or subsequent to the implementation of the Proposal.

Under AAS3, Business Combinations the acquirer is allowed a period of 12 months from the acquisition date to finalise the identification and valuation process and any resultant accounting adjustments. For the purposes of preparing the AUPF Historical Pro Forma Statement of Financial Position, it has been assumed that the carrying value of DPF assets and liabilities as at 30 June 2021 are equal to their fair value and the balance allocated to an expense on acquisition.

Assumptions underlying the AUPF forecast financial information

The assumptions underlying the AUPF Pro Forma Financial information are those used by AOF and DPF as set out in Sections 7.5(c) and 8.5(c), adjusted as applicable on a pro forma and statutory basis to reflect consolidation adjustments and the effect of the Proposal. Details of these adjustments are discussed in the relevant sections below.

The assumptions reflect the assessment of AUPF, based on present circumstances, of anticipated economic and market conditions and the implementation of AUPF's business strategies. While these assumptions are considered to be appropriate and reasonable at the time of preparing the forecast financial information, AOF Unitholders should appreciate there are many factors which may affect the results which are outside the control of AUPF directors or may not be capable of being foreseen or accurately predicted.

Accordingly, actual results may vary materially from the forecast financial information. AOF Unitholders are advised to review the assumptions, sensitivities and risk factors described in Sections 7.5, 8.5 and 9.5 of this Explanatory Memorandum and make their own assessment of the future performance and prospects of AUPF in the event the Proposal proceeds. AOF Unitholders should note past performance is not an indicator of future performance.

(b) AUPF Pro Forma Historical Statement of Financial Position

Basis of preparation

This section outlines the AUPF Pro Forma Historical Statement of Financial Position as though the Proposal was implemented on 30 June 2021.

For the purpose of preparing the AUPF Pro Forma Historical Statement of Financial Position as at 30 June 2021, the preliminary estimate of the purchase price for the acquisition of DPF was calculated as follows:

Number of DPF units on issue (at 30 June 2021)	287.8 million
Merger Ratio	0.4550
Theoretical Number of AUPF (AOF) Units to be issued	130.9 million
AOF Unit price at 30 June 2021	$2.61
Pro forma fair value of consideration	$341.8 million (assumed to be comprised of $24.8 million under the Capped Withdrawal Facility and $317.0 million issued AOF Units)
Net tangible assets of DPF at 30 June 2021	$337.1 million
DiscountPro forma expense (non-cash) on acquisition at 30 June 2021	$4.7 million

The estimated purchase price reflected in the AUPF Pro Forma Financial Information does not purport to represent what the actual purchase price will be when the Proposal is implemented. In accordance with the AASB 3 Business Combinations, the fair value of equity securities issued as part of the consideration transferred will be measured on the Implementation Date at the then current market price. This requirement will likely result in an equity component different from the $317.0 million (based on 30 June 2021 market price) assumed in the AUPF Pro Forma Financial Information and that difference may be material. If the actual purchase price at the date of acquisition is higher than the net assets acquired, the difference will either be allocated to identifiable assets and liabilities, or recorded as goodwill, or as an expense in AUPF's consolidated financial statements once the identification and valuation process of the net assets acquired is determined. If the actual purchase price at the date of acquisition is lower than the determined fair value of the net assets acquired, the difference will be recognised as a discount on acquisition. For the purposes of the pro forma historical statement of financial position and the statutory forecast income statement presented below, the difference has been recognised as an expense of $4.7 million.

Pro Forma Historical Statement of Financial Position as at 30 June 2021

30 June 2021 ($m)	AOF audited	DPF audited	Pro Forma Adjustments prior to implementation[1]	Impact of the Proposal[2]	Subsequent events[3]	Pro forma AUPF
Assets						
Cash and cash equivalents	8.9	22.5	24.8	(24.8)		31.4
Receivables	0.6	4.3	(0.4)	-		4.5
Prepaid expenses and other assets	1.0	0.4	-	-		1.4
Financial assets	-	25.3	(25.3)	-		-
Investment properties	638.9	569.9	-	-	33.5	1,242.3
Total assets	**649.4**	**622.4**	**(0.9)**	**(24.8)**	**33.5**	**1,279.6**
Liabilities						
Distributions payable	6.2	13.0	(0.4)	-		18.8
Payables	7.2	11.7	-	-		18.9
Financial liabilities held at fair value	1.0	-	-	(1.0)		-
Borrowings	190.2	260.7	-	24.5	35.8	511.2
Total liabilities	**204.5**	**285.4**	**(0.4)**	**23.5**	**35.8**	**548.9**
Net assets	**444.8**	**337.1**	**(0.5)**	**(48.3)**	**(2.3)**	**730.7**
Contributed equity	374.0		-	317.0	-	691.0
Undistributed income	70.8		(0.5)	(28.3)	(2.3)	39.7
Net assets attributable to unitholders	**444.8**		**(0.5)**	**288.7**	**(2.3)**	**730.7**

30 June 2021		Impact of the Proposal	Pro forma AUPF
Statement of financial position metrics			
Number of units on issue (thousand)	164.4	121.2	285.6
Net Tangible assets $ per unit	2.71		2.56
Gearing	28.4%		38.6%

Pro forma adjustments and assumptions underlying them include:

1. The following transactions occur prior to completion of the Proposal:
   a. the divestment of DPF's holding in AOF to AUSH. an entity related to both AOF and DPF. The sale price for these units is assumed to be AUPF's pro forma NTA of $2.56. This reduces financial assets by $25.3 million and increases cash by $24.8 million and recognises a loss on sale of $0.5 million; and
   b. elimination of the dividend payable by AOF to DPF of $0.4 million.
2. The effect of the completion of the Proposal being:
   a. the net increase in borrowings of $24.5 million reflecting:
      i. the establishment and drawdown of the AUPF Refinancing at an amount equivalent to the existing borrowings drawn down by AOF and DPF, payout of existing swaps of $1.0 million, the write-offs of unamortised borrowing costs on the existing borrowings of $1.8 million and net of the capitalisation of the new debt establishment costs of $2.7 million;
      ii. additional drawdown to pay expected transaction costs of $22.2 million, which include stamp duty of approximately $9.7 million and other transaction costs of approximately $12.5 million; and
   b. based on the Merger Ratio, the fair value of the consideration of $341.8 million comprised of the issue of 121.2 million AUPF Units (based on the AOF Unit price at 30 June 2021 of $2.61) equating to $317 million and cash payment of the Capped Withdrawal Facility of $24.8 million to DPF Unitholders opting to cash out their holdings; and
   c. the decrease in undistributed income of $28.3 million from the expensing of costs noted above amounting to net $23.6 million and the non-cash expense on acquisition of $4.7 million.
3. Following implementation of the Proposal, the acquisition of 96 York Street, Beenleigh, Queensland is expected to settle for $33.5 million (as previously announced to AOF Unitholders), increasing investment properties by that amount, increasing borrowings by $35.8 million and reducing undistributed income by $2.3 million representing acquisition costs.

(c) AUPF Pro Forma Forecast Income Statement and Distribution Statement

The AUPF pro forma forecast income statement and distribution statement for FY22 is presented as if the Proposal completed on 1 July 2021. For pro forma forecast purposes, AUPF will include the forecast income statement and distribution statement of DPF and AOF for FY22 adjusted on a pro forma basis to reflect forecast changes to borrowing costs, Responsible Entity fees and trust expenses on merger.

Set out below is the pro forma forecast income statement and distribution statement of AUPF for FY22.

Pro forma forecast income statement and distribution statement

AUPF pro forma forecast income statement –FY22

$million	AOF forecast FY22	DPF forecast FY22	Pro Forma Adjustments	Pro Forma AUPF forecast FY22
Rental income	55.0	39.3		94.3
Property expenses[4]	(15.1)	(11.8)	0.7	(26.2)
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	(5.8)	(1.3)		(7.1)
Net property income	**34.1**	**26.2**	**0.7**	**61.0**
Interest income	-	-		-
Other operating income	-	0.2		0.2
Distribution income[1]	-	1.5	(1.5)	-
Responsible Entity's fees[2]	(3.9)	(4.0)	0.6	(7.3)
Borrowing costs[3]	(5.6)	(7.7)	1.3	(12.0)
Other expenses[5]	(3.8)	(4.2)	5.5	(2.5)
Profit for the year	**20.8**	**12.0**	**6.6**	**39.4**

The pro forma adjustments and assumptions underlying them include:

1. The elimination of distribution income forecast to be received by DPF from AOF;
2. The alignment of Responsible Entity fees to the basis set out in AOF's Constitution;
3. Restating borrowing costs to reflect the terms under the AUPF Refinancing as set out in Section 9.6(c), as if this new facility was in place from 1 July 2021, taking into account the effect of existing and proposed interest rate hedging agreements, forecast property acquisitions and disposals, and capital expenditures on debt levels;
4. Adjusting property management fees and administration expenses to reflect the expected costs of these services (including synergies from the removal of duplicate services) to AUPF post completion of the Proposal under agreements with the Responsible Entity and related parties; and
5. The removal of transaction costs relating to the Proposal included in the stand-alone forecasts of AOF and DPF of $2.0 million and $2.7 million respectively.

AUPF pro forma forecast distribution statement – FY22

$million	Pro Forma AUPF forecast FY22
Profit for the year	39.4
Adjusted for:	
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	7.1
Amortisation of borrowing costs	0.6
One off adjustment[1]	0.5
Add back: rental abatement incentives	1.4
FFO	**49.0**
Distributions declared	45.1

Cents per unit	Pro Forma AUPF forecast FY22
FFO	17.2
Distributions declared	15.8
Payout ratio (distributions declared/ FFO)	91.9%

Notes:

1. One off adjustment relates to one off legal costs of $0.5 million which would be added back when calculating FFO.

(d) AUPF Statutory Forecast Income Statement and Distribution Statement

The Proposal implementation date (completion of the Proposal) is expected to be Wednesday, 22 December 2021. The AUPF statutory forecast consolidated income statement and distribution statement is presented as if the Proposal completed on Wednesday, 22 December 2021. AOF's existing borrowings and administration expenses will continue until Wednesday, 22 December 2021 under existing arrangements when they will be replaced by the AUPF Refinancing and the property management and administration services noted above.

AUPF will consolidate the financial performance of DPF on a statutory basis from Wednesday, 22 December 2021. AUPF's statutory financial performance will also include costs and expenses arising from completion of the Proposal.

Set out below is the statutory forecast consolidated income statement and distribution statement of AUPF reconciled to the pro forma forecast income statement and distribution statement of AUPF.

AUPF statutory forecast income statement – FY22

$million	Pro Forma AUPF forecast FY22	Statutory Adjustments	Statutory AUPF forecast FY22
Rental income[1]	94.3	(19.6)	74.7
Property expenses[1,4]	(26.2)	6.3	(19.9)
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives[1]	(7.1)	0.2	(6.9)
Net property income	**61.0**	**(13.1)**	**47.9**
Interest income	-	-	-
Net fair value increment/(decrement) of investment properties[5]		(9.7)	(9.7)
Other operating income	0.2	(0.2)	-
Responsible Entity's fees[2]	(7.3)	1.7	(5.6)
Borrowing costs[3]	(12.0)	1.7	(10.3)
Expense on acquisition[7]	-	(4.7)	(4.7)
Other expenses[4,6]	(2.5)	(11.7)	(14.2)
Profit for the year	**39.4**	**(36.0)**	**3.4**

Statutory adjustments include:

1. The removal of DPF's pre-acquisition forecast financial performance from 1 July 2021 to 22 December 2021;
2. Responsible Entity fees applicable to AUPF from 22 December 2021;
3. Borrowing costs based on existing borrowing agreements, debt levels and hedging arrangements until 22 December 2021 and thereafter based on the AUPF Refinancing, debt levels and proposed hedging arrangements, including the amortisation of establishment costs on the AUPF Refinancing from that date. Further, borrowing costs will include the write-off of unamortised borrowing costs on existing borrowings as at 22 December 2021 amounting to $1.4 million;
4. Property management and administration costs applicable to AUPF from 23 December 2021;
5. Estimated stamp duty of $9.7 million which will be fair valued on implementation of the Proposal;
6. The inclusion in other expenses of transactions costs of $12.5 million based on the successful completion of the Proposal; and
7. The inclusion of the expense arising on the acquisition of DPF, using the pro forma expense of $4.7 million (noting that this is subject to the final determination of the fair value of net assets acquired as discussed above).

AUPF statutory forecast distribution statement – FY22

$million	Pro Forma AUPF forecast FY22	Statutory Adjustments	Statutory AUPF forecast FY22
Profit for the year	39.4	(36.0)	3.4
Adjusted for:			
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	7.1	(0.2)	6.9
Net loss/(gain) on financial instruments held at fair value			
Realised loss/(gain) on disposal of investment property			
Net fair value (decrement)/increment of investment properties	-	9.7	9.7
Amortisation of borrowing costs	0.6	1.2	1.8
Expense on acquisition	-	4.7	4.7
One off adjustments	0.5	12.0	12.5
Add back: rental abatement incentives	1.4	(0.1)	1.3
FFO	**49.0**	**(8.7)**	**40.3**
Distributions declared	45.1		35.2

Cents per unit	Pro Forma AUPF forecast FY22	Statutory Adjustments	Statutory AUPF forecast FY22
FFO	17.2		18.0
Distributions declared	15.8		15.5
Payout ratio (distributions declared/ FFO)	91.9%		86.1%

(e) Sensitivity analysis

The AUPF Pro Forma Financial Information is based on a number of general and specific assumptions set out above and subject to significant estimates and judgements. These judgements, estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond the control of AUPF (including AOF and DPF). The judgements and estimates are based on assumptions in relation to future business developments that could significantly change.

AOF Unitholders should be aware that future events cannot be predicted with certainty and, as a result, deviations from the figures forecast in this Explanatory Memorandum are to be expected. To assist AOF Unitholders in assessing the impact of these judgements, estimates and assumptions on the forecasts, set out below is a summary of certain forecast financial information to changes in a number of key variables. The changes in key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

		Statutory AUPF forecast FY22	
		($m)	(cents per unit)
FFO		40.3	18.0
Impact of change from assumption			
0.5% change in CPI	+/-	0.1	0.1
5% change in AUPF's rental income	+/-	3.7	1.4
5% change in AUPF's property expenses	+/-	1.0	0.4
5% change in AUPF's other expenses	+/-	0.1	0.0
50 basis point change in interest rates	+/-	1.3	0.4
No DPF unitholders subscribe for the cash out facility	–	0.0	0.3

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely isolated impact on the statutory forecasts. In practice, changes in variables may offset each other or be additive, and it is likely that AUPF would respond to any adverse change in one variable by seeking to minimise the net effect on AUPF's net loss for the year.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown.

AUPF considers that it has sufficient working capital to carry out its objectives.

9.6 Capital structure

(a) Units on issue

As at the date of this Explanatory Memorandum:

(i) AOF has approximately 164.4 million AOF Units on issue; and

(ii) DPF has approximately 292.3 million DPF Units on issue.

If the Proposal is implemented, AOF will acquire all of the DPF Units on issue in consideration for the issue of 0.4550 AUPF Units for every 1 DPF Unit held by DPF Unitholders as at the Proposal Record Date.

Fractional entitlements will be rounded down to the nearest whole number of units.

(b) Rights attaching to AUPF units to be issued under the Proposal

The AUPF Units to be issued under the Proposal will rank equally with existing AOF Units.

(c) Capital management

AUPF will maintain a disciplined and conservative approach to capital management.

In connection with the Proposal and subject to all Conditions Precedent of the Proposal being satisfied or waived (if applicable), the AOF debt facility is intended to be refinanced to form a $600 million debt facility for AUPF (**AUPF Refinancing**).

The preferred banking group have confirmed their commitment to provide this level of debt to AUPF on pricing terms similar to those currently paid under the AOF debt facility on a standalone basis and with the same financial covenant package of LVR covenant of 50% and interest cover ratio (ICR) of 2.0 times. This commitment is subject to a number of conditions that, other than the Proposal proceeding, are anticipated to be satisfied prior to the Meeting.

The AUPF debt facility pricing will be on better terms than the current DPF debt facility pricing on a standalone basis.

Key expected AUPF Refinancing terms are listed below:

Metric	As at the Implementation Date
Weighted average cost of debt*	2.4% per annum
Weighted average debt term to maturity	4.5 years
Facility limit	$600 million
Undrawn capacity	$102 million
Hedge ratio	70%
Assumed interest rate swap rate	0.9%
Assumed weighted average term of interest rate hedging	3.5 years
Key financial covenants	• LVR not greater than 50% • ICR less than 2.0 on a rolling 12 month basis

* Based on the combined effect of assumed base rate and interest rate hedges, plus specified margins and line fees under the AUPF Refinancing, and the amortisation of borrowing costs.

9.7 Distribution policy

AUPF's distribution policy will be to distribute between 80% and 100% of its funds from operations each year. AUPF distributions are intended to be paid quarterly, with AUPF Unitholders to receive distributions within two months following the end of each distribution period, being the quarters ending 31 March, 30 June, 30 September and 31 December each year.

The AOF RE Board will have regard to cash available when determining the distributions. AUPF can provide no guarantees as to the extent of future distributions. The first distribution from AUPF is expected to be for the period ending 31 March 2022. AUPF RE will continue to monitor the appropriateness of this proposed distribution policy to ensure that it meets the ongoing objectives of AUPF and is in the best interests of AUPF Unitholders.

9.8 Board and Management

The AOF RE Board will continue to comprise the board of directors for AOF RE following implementation of the Proposal. The AOF RE Board comprises a majority of independent directors, including an independent Chair (see Section 8.11(c) for current AOF RE Board members). The AOF RE Board will seek to ensure there is an appropriate mix of skill sets and diversity amongst the board. Upon implementation of the Proposal and to take into consideration the expansion of the portfolio and the addition of new asset classes and geographies, further consideration of these matters and other governance practices will be undertaken in line with market expectations.

AOF RE has appointed AUFML as investment manager and AUPM as property manager of AOF. AUFML and AUPM are part of the Australian Unity property business.

AUPF's management team will draw on the existing management of AOF and DPF providing continuity of asset focus and tenant relationships. Nikki Panagopoulos will be the Fund Manager of AUPF and will be supported by a team of experienced property professionals covering asset management, development management, transaction management and leasing and portfolio management. Additional resources focusing on sustainability and development (as well as administration and leasing services) are planned to be added to the management team.

The dedicated team is further supported by the broader services of AUL Group including legal, compliance, development management, debt capital markets, valuation research and advisory and Wealth and Capital Markets support services.

Details of the management team is set out below (with "*" denoting current management of AOF).

Director / Position	Experience, qualifications and expertise
Nikki Panagopoulos* Fund Manager	Nikki joined Australian Unity in 2004. Nikki will be responsible for the strategy, growth and commercial management of AUPF. Nikki is currently Fund Manager of AOF. Prior to AOF Nikki was Fund Manager of DPF from 2010 to July 2021. As DPF Fund Manager for over a decade Nikki was responsible for implementing strategic growth and repositioning strategies, resulting in DPF's outperformance of the benchmark and peers over the 10-year period. Nikki has more than 25 years' experience in unlisted and listed property markets with a key focus on investor relations, setting and implementing strategy (including acquisitions, disposals, new and existing lease negotiations), project and development management as well as people leadership. Prior to joining Australian Unity, Nikki was an Investment Analyst for Deutsche Bank's $1.5 billion listed Deutsche Diversified Trust. Nikki also spent 12 years in Property Funds Management at AXA (formerly National Mutual. Nikki holds a Bachelor of Business (Accounting) from the Royal Melbourne Institute of Technology. Nikki is also an Associate with a Funds Manager Certification from the Australian Property Institute, holds a Real Estate of Victoria Licence and is a Member of the Australian Institute of Management.
Simon Beake* Deputy Fund Manager	Simon joined Australian Unity in 2011 and has over 25 years of funds management, asset management and investment experience in the property and infrastructure sectors. Simon is a Member of the Chartered Institute of Management Accountants (UK) and holds a Masters of Applied Finance and a Bachelor of Arts (Accounting and Finance). Simon will be responsible for the capital and financial management of AUPF.
Victoria Padey Senior Asset and Transactions Manager	Victoria joined Australian Unity in 2019 and is a corporate real estate specialist with over 20 years extensive property experience in both the Australian and New Zealand property industries. Victoria has a Bachelor of Business (Property) from RMIT and currently holds a Victorian Real Estate License. Victoria will be responsible for the management and delivery of strategic asset plans for AUPF's assets and capital transactions.

Director / Position	Experience, qualifications and expertise
Tim Kemp-Bishop* Major Leasing and Capital Transactions Manager	Tim joined Australian Unity in 2008 and is responsible for major leasing and capital transactions. Prior to joining Australian Unity, Tim was employed in a variety of property and asset management roles with ANZ and AMP Capital Investors. Tim holds a Bachelor of Communications from Canberra University and Diplomas in Commercial Property Asset Management and Property Investment Finance from the Property Council of Australia. Tim is a licenced real estate agent and is the Officer in Effective Control of Australian Unity Property Management Pty Ltd.
Jonathon Senior Portfolio Manager	Jonathon has over 20 years' experience in property research and investment management. He holds Bachelor of Commerce and Science degrees from the University of Melbourne and has completed the CPA program and a Graduate Certificate of Applied Finance and Investment from FINSIA. Jonathon will be responsible for the fund investment analysis including actual and forecast performance.
Giovanna Reale* Senior Asset Manager	Giovanna joined Australian Unity in 2006 and is responsible for the asset management. Giovanna has 20 years' property experience, including in management and leasing gained with leading real estate agencies and owner managers. Giovanna has a Bachelor of Business in Property from RMIT. Giovanna will be responsible for maximising AUPF's properties' capital value and income via an active asset management strategy, including leasing, refurbishments and developments.
Michael Carabetta* Senior Asset Manager	Michael has over 25 years' experience in asset and property management, focusing on commercial, industrial and mixed-use asset classes in Australia and overseas. Michael holds a Bachelor of Commerce majoring in Land Economics and a Diploma of Facilities Management. Michael will be responsible for maximising AUPF's properties' capital value and income via an active asset management strategy, including leasing, refurbishments and developments.
Anna Flavell Senior Asset Manager	Anna joined Australian Unity in 2017 and has over 15 years' experience working in the retail sector across operations, property and leasing. Anna holds a Bachelor of Science from La Trobe University, a Masters in Business Management and a certificate in Project Management from Swinburne University. Anna will be responsible for maximising AUPF's properties' capital value and income via an active asset management strategy, including leasing, refurbishments and developments.
Matthew Mitchell Asset Manager	Matthew has 11 years' experience managing Commercial, Industrial and more particularly Retail Assets. He has a Masters Degree in Property Valuation and Management and qualified as a Member of the Royal Institution of Chartered Surveyors (Commercial Property) in 2011. Matthew will be responsible for maximising AUPF's properties' capital value and income via an active asset management strategy, including leasing, refurbishments and developments.
Peter Hugh* Senior Development Manager	Peter has over 25 years' experience in mixed-use development and asset management in Australia and overseas, covering all stages of development. Peter holds an MBA from the AGSM and is a member of the Royal Institution of Chartered Surveyors. Peter will be responsible for the delivery of the proposed refurbishments and developments.

9.9 AUL Group interests in AOF and DPF

AU Group Managed Entities including DPF (held by AUPL as the responsible entity for DPF), currently own approximately 24.7 million AOF Units, representing 15% of total AOF Units on issue at the date of this Explanatory Memorandum. Of that interest, DPF holds approximately 9.7 million AOF Units, representing 5.9% of total AOF Units on issue at the date of this Explanatory Memorandum (**Cross Holding**).

AU Group Managed Entities (being AUPL and LAFS, as at the date of this Explanatory Memorandum) currently own approximately 13.6 million DPF Units, representing 4.6% of total DPF Units on issue at 30 September 2021. If the Proposal is implemented, AU Group Managed Entities will be issued with approximately 6.2 million AUPF Units under the Merger Ratio, in exchange for AU Group Managed Entities' approximately 13.6 million DPF Units.

If the Proposal is implemented, DPF intends to sell the Cross Holding to AUSH, an entity wholly-owned within the AUL Group at a price of $2.56 per unit, reflecting the expected AUPF pro forma NTA. The sale of the Cross Holding if it proceeds will generate proceeds of a minimum of $24.8 million and DPF will apply these proceeds to fund the DPF Capped Withdrawal Facility.

The total holding of the AU Group Managed Entities in AUPF on implementation of the Proposal is expected to be approximately 30.8 million AUPF Units, representing approximately 10.7% of the expected total AUPF Units on issue immediately following implementation of the Proposal. This holding is the sum of the existing AOF Units held by AU Group Managed Entities (including the Cross Holding) and the AUPF Units to be issued pursuant to the Proposal in exchange for the DPF Units held by AU Group Managed Entities. Australian Unity has indicated an intention for the AU Group Managed Entities to initially target a holding in AUPF of approximately 12% of total AUPF Units on issue, subject to funding being made available from the AUL Group's parent company, the Proposal proceeding and market conditions. To achieve this approximate holding AUL Group entities may acquire further AUPF Units, including by way of on market acquisitions, following implementation of the Proposal.

10. Risk factors

10.1 Introduction

This Section 10 sets out risks factors associated with the Proposal, including specific risks relating to AUPF and general investment risks shared by AUPF with all A-REITS.

There are many risk factors that could adversely affect AUPF's financial performance, financial position and cash flows including:

- risks specific to the Proposal;
- risks common to AOF and AUPF; and
- risks specific to an investment in AUPF.

This Explanatory Memorandum includes a discussion of these risk factors as the Proposal is conditional upon, among other things, the Merger Resolutions being passed at the Meeting.

All investments carry risk. The likely investment return and the risk of losing money is different for each investment strategy as different strategies carry different levels of risk depending on the underlying mix of assets that makes up each fund. Those assets with potentially the highest long-term return (such as equities) may also have the highest risk of losing money in the shorter term.

Risks can be managed but they cannot be completely eliminated. It is important that you understand that:

- the value of your investment will rise and fall;
- investment returns will vary and future returns may differ from past returns;
- returns are not guaranteed and there is a risk that you may lose some money on any investment you make; and
- laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on various factors and may include your age, investment timeframe, where other parts of your wealth are invested and your overall tolerance to risk. You may wish to consult a licensed financial adviser to better understand the risks involved with the Proposal or an investment in AUPF.

The risk factors identified in this Section 10 are not exhaustive and do not take into account any person's (including any individual Investor's) investment objectives, financial situation, tax position or particular needs. These are only some of the key risks in relation to the Proposal that are known to AOF as at the date of this Explanatory Memorandum. No assurances or guarantees of the future performance of, profitability of, or payment of distributions by AOF are given.

10.2 Risks specific to the Proposal

(a) Due diligence

AOF has conducted due diligence investigations of DPF in connection with the Proposal. There is a risk, however, that AOF may not have conducted due diligence on all material information and that any assumptions made during the due diligence period may prove to be false or incorrect.

Further, if any of the data or information provided to or relied upon by AOF in its due diligence investigations and the preparation of this Explanatory Memorandum (or any other document in relation to the Proposal, such as the notice of meeting for the DPF Unitholder Meeting) proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of AUPF post implementation of the Proposal may be materially different to the financial position and performance expected by AOF RE and reflected in this Explanatory Memorandum (or any notice of meeting for the DPF Unitholder Meeting).

(b) Competing Proposal

There is a risk that DPF RE receives a Competing Proposal which becomes a Superior Proposal. If the DPF RE Board publicly makes a statement to the effect that it supports a Superior Proposal, then the Merger Implementation Deed may be terminated by either AOF RE or DPF RE and the Proposal may not proceed.

(c) Implementation risk

The obligations of AOF RE and DPF RE to implement the Proposal under the Merger Implementation Deed are conditional on the satisfaction or waiver of the Conditions Precedent. Even if the Merger Resolutions are passed, it is possible that other Conditions Precedent may not be satisfied and that the Proposal may not proceed.

(d) Risks to AOF if the Proposal does not proceed

If the Proposal does not proceed, AOF Unitholders will not enjoy the benefits of the Proposal. AOF's ability to further deliver on its refined strategy including providing sustainable income returns and capital growth over the long-term will be reduced.

AOF will continue to be listed on the ASX and operate at its existing scale, which may limit the trading liquidity of AOF Units and present challenges in obtaining additional inclusion in ASX and global indices.

AOF Unitholders will maintain exposure to the existing AOF assets. Noting AOF's lease expiry profile the sustainability of AOF's future income is more uncertain. This may ultimately impact the level of distributions AOF Unitholders receive.

10.3 Risks common to an investment in AOF and AUPF

There are many risks common to an investment in both AOF and AUPF as real estate investment trusts which DPF Unitholders will be exposed to if they maintain their investment in AOF or the Proposal proceeds and they become exposed to AUPF.

(a) General property market risks

AUPF's earnings will be subject to the prevailing property market conditions. Adverse changes in prevailing market sentiment in the sector in which AUPF operates or invests may adversely affect earnings. These factors may adversely affect the value of, and returns generated from, property investments undertaken by AUPF from time to time, and may influence the acquisition of properties, the timing and value of sales, and the carrying value of projects and income-producing assets.

(b) Risk arising from a listed investment

If the Proposal is implemented, AOF Unitholders will hold AUPF Units which will relate to the underlying portfolios of AOF and DPF. The price at which AUPF Units may trade on the ASX may differ materially from AUPF's NTA per unit as it will now be affected by the financial performance of AUPF along with varied and often unpredictable factors influencing equity and credit markets generally. These factors include international stock markets, interest rates, domestic and international economic conditions, domestic and international political stability, investor sentiment, and the demand for equities generally.

(c) Returns from investment

Returns from property investment assets are impacted by the rental income generated from the property and the expenses incurred in the operation of that property, including the management and maintenance of the property as well as the changes in the market value of the property. Factors that may reduce these returns include:

- the overall conditions in the national and local economy, such as changes to growth in gross domestic product, employment, inflation and interest rates;
- local real estate conditions, such as changes in the demand and supply for retail, office, industrial or hotel/tourism assets or rental space;
- the perception of prospective tenants regarding attractiveness and convenience of assets;
- the convenience and quality of properties;
- changes in tenancy laws;
- external factors including war, terrorist or force majeure events;
- unforeseen capital expenditure;
- supply of new properties and other investment assets; and
- investor demand/liquidity in investments.

(d) Tenant default, renewal and occupancy risk

The future financial performance of AUPF will depend on its ability to continue to lease existing property space that is currently vacant, or that becomes vacant on expiry of leases, on economically favourable terms. In addition, the ability to lease new asset space in line with expected terms will impact on the financial performance of AUPF. The ability of AUPF to secure lease renewals or to obtain replacement tenants may be influenced by any leasing incentives granted to prospective tenants and increased competition in the sector, which in turn may increase the cost and time required to let vacant space.

Insolvency or financial distress of AUPF's tenants may reduce income received from its assets. There is a risk that tenants may default on their rental or other obligations under leases with AUPF, leading to a reduction in income received and cashflow available for distribution to AUPF Unitholders.

(e) Reputational risk

Due to the scale and breadth of operations, AUPF will be a prominent A-REIT, landlord and business in the Australian market. Various issues may give rise to reputational risk and subject AUPF to the risk of enforcement action, fines or penalties. The quality and consistency of how AUPF interacts and engages with all of its key stakeholders will impact the reputation of AUPF.

(f) Acquisition Risk

A key element of AUPF's future strategy will involve the acquisition of assets to add to AUPF's property investment portfolio. There are inherent risks in such acquisitions. These risks could include unexpected problems or other latent liabilities such as the existence of asbestos or other hazardous materials or environmental liabilities. There are also risks associated with integration of businesses, including financial and operation issues as well as employee related issues.

(g) Cash flow risk

AUPF's ability to service its debt and other 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. AUPF's historical financial results (on a pro forma basis) have been, and it is anticipated that AUPF's future financial results will continue to be, subject to fluctuations. Cash flows can vary and AUPF's business may not generate sufficient cash flow from operations to enable it to satisfy its debt and other obligations. Significant expenditures associated with each 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, cash flow of AUPF may be adversely affected.

(h) Refinancing requirements

To fund new acquisitions, capital expenditure and other material capital events, AUPF intends to rely on a combination of funding options including equity and the AUPF Refinancing. Gearing magnifies gains and losses in AUPF.

An inability to attract funding may adversely affect AUPF's ability to make future acquisitions or to meet future capital expenditure needs, which in turn could adversely affect the growth prospects of AUPF, the unit price or even AUPF's ability to maintain its properties to the requisite standard (which in turn may affect its ability to retain existing, or to attract new, tenants). An inability to refinance any debt (either on acceptable terms or at all) or any increase in the cost of such funding, may also adversely impact the performance and the financial position of AUPF.

(i) Interest rate risk

AUPF's interest cost on floating rate debt will increase if benchmark interest rates increase. This would reduce earnings and cashflow available for distribution to AUPF Unitholders.

AUPF will manage the risks to its income associated with the fluctuation of interest rates by using derivative financial instruments, in the form of interest rate swaps, to convert floating interest rate borrowings to fixed interest rates. Such interest rates swaps hedge the risk of interest rate fluctuations in respect of underlying borrowing for a limited period of time. AUPF intends to fix interest rates in respect of 40% to 100% of drawn borrowings over a range of maturity dates. Following implementation of the Proposal, AUPF intends to hedge approximately 70% of drawn debt with interest rate swaps maturing between April 2024 and December 2026.

(j) Impact of financing covenants

The AUPF Refinancing will contain financial covenants, which are based on the principal amount of debt outstanding, the properties' valuations and net income tests. A breach of these covenants may be caused by many factors including a material and adverse event relating to a property (such as the loss of a key tenant), reduced valuations or by market conditions including interest rate increases. A covenant breach may result in AUPF paying higher interest rates or the lender choosing to enforce their security over one or a number of properties and/or requiring AUPF to pay down the proposed debt facility immediately or on short notice. Alternative financing may not be available or may only be available on less favourable terms. AUPF may be required to sell properties or reduce or suspend distributions in order to repay debt. The consequence of a breach of such a covenant may require the sale of one or more properties to reduce debt. If a forced sale occurs, it could result in a less than optimal price or capital loss, dilution through further equity raising, or suspension of distributions to repay the proposed debt facility.

(k) Access to capital

Real estate investment is highly capital intensive. AUPF'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 the AUPF's business. Many of these factors are outside of AUPF's control and may increase the cost and reduce the availability of capital.

(l) 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.

(m) Key personnel

AUPF will be 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 a material adverse impact on AUPF's performance.

(n) Real estate property prices and illiquid investments

Downward market pressure on real estate prices could impact the value of AUPF's direct portfolio and would have a negative impact on AUPF's net tangible assets, gearing and its ability to generate revenue. Investments in property are relatively illiquid, and some of the AUPF's properties are subject to contractual limitations on transfer. This illiquidity limits AUPF's ability to vary its portfolio promptly in response to changes in economic or other conditions. In times of low economic growth or disruption in financial markets, there is likely to be fewer potential buyers of property assets, and it may be difficult for potential buyers to obtain financing on acceptable terms, or at all. There is no assurance that AUPF will be able to dispose of a property at the desired time or at a price in line with AUPF's book value for the property.

(o) Impact of COVID-19 and macroeconomic risks

The COVID-19 pandemic has resulted in significant national and global market turbulence and has created, and will potentially continue to create, substantial volatility in the prices of securities trading on the ASX, including the potential trading price of units in AUPF. The uncertainty associated with the pandemic means that the broader impacts of it and how long they will occur are unknown. Among other things, this relates to the state and federal response to mitigate COVID-19, the closure of many businesses across the country, affiliated unemployment and travel restrictions, all of which may have some impact on the performance of AUPF, tenants of AUPF, the Australian share market and the broader economy.

Uncertainty remains regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic and impact on AUPF's operations and financial performance. Accordingly, it is not currently possible to assess the full impact of COVID-19 on DPF's and AOF's existing businesses. The economic and operating environment is subject to rapid change and will continue to be closely monitored by AUPF. While AUPF expects it will have cash and headroom under the debt facility to deal with the circumstances relating to COVID-19, there is a risk that if the duration of events surrounding COVID-19 are prolonged, AUPF may need to take additional measures in order to respond appropriately.

There are also other changes in the domestic and global macroeconomic environment associated with the events relating to COVID-19 that will be beyond the control of AUPF in the future and may be exacerbated in an economic recession or downturn.

(p) Competition

AUPF will face competition from within the A-REIT sector, and will also operate with the threat of new competition entering the market. The existence of such competition may have an adverse impact on AUPF's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis, or the pricing of construction projects or development opportunities, which in turn may negatively affect AUPF's financial performance and returns to its investors

10.4 Risks specific to an investment in AUPF

In addition to risks which are common to both AOF and AUPF, AOF Unitholders who become AUPF Unitholders may be subject to additional risks in light of holding securities with a different mix of underlying assets.

(a) Incremental risk from exposure to DPF's property portfolio

If the Proposal is implemented, AOF Unitholders that hold AUPF Units will gain exposure to DPF's property portfolio in addition to AOF's property portfolio. This will include, but is not limited to changes in:

- exposure to various assets, asset classes, tenants, markets and geographies;
- economic factors impacting their investment;
- the capital structure of the investment;
- the policies and fee structure of AUPF; and
- the applicable laws and regulations.

Risks and returns to AOF Unitholders that hold AUPF Units may increase or reduce as a result of these changes.

(b) Concentration risks

AUPF's portfolio will be highly concentrated in office, industrial and retail properties. Adverse events that occur in relation to the office, industrial or retail sectors may result in general deterioration of tenants' ability to meet their lease obligations across the portfolio or to future growth prospects of the current portfolio.

(c) Sector risk

AOF invests in Australian office and mixed-use properties, while DPF invests in Australian office and mixed-use properties, plus convenience retail shopping centres and industrial properties. For AOF Unitholders, this means that after implementation of the Proposal, their investment exposure will continue to be to the Australian office and mixed-use sector, but also to the additional sectors of Australian convenience retail shopping centres and industrial property. These additional sectors provides AUPF Unitholders with potential diversification benefits, but also expose them to convenience retail shopping centre and industrial property sectors' risks. The value of such an AUPF Unitholder's investment may be adversely affected by circumstances affecting those sectors.

In addition, AOF and DPF have different geographical weightings, if any of the sub-sectors in New South Wales, Victoria, Western Australia, South Australia, Queensland or Australian Capital Territory experience a downturn in activity, AUPF's financial performance may be adversely impacted.

(d) Capital gains tax implications

AOF RE has estimated the unrealised capital gain of AOF's portfolio as at 30 June 2021 at between approximately $241 million and approximately $341 million, based on the AOF portfolio valuation at 30 June 2021 of $639 million.

DPF RE has estimated the unrealised capital gain of DPF's portfolio as at 30 June 2021 at between approximately $163 million and approximately $272 million, based on the DPF portfolio valuation at 30 June 2021 of $544 million.

If the Proposal is implemented, the estimated unrealised capital gain of AUPF's portfolio as at 30 June 2021 is between approximately $241 million and approximately $613 million based on the equivalent AUPF portfolio valuation at 30 June 2021 of $1,183 million.

The lower end of the ranges stated above is on the basis that AOF, DPF or AUPF, as applicable, is able to access the cost base in the units in the relevant sub-trust(s) following disposal of the property during the same corresponding financial year; and in the case of AUPF that it obtains a cost base in the units in DPF that it acquires under the Proposal based on the market value of DPF at the time of the Proposal.

The upper end of the ranges is based on the unrealised capital gains for the individual properties within AOF, DPF or AUPF portfolio, as applicable, and ignores any ability to access the cost base in the units in the relevant sub-trusts which may be available to reduce this amount.

The unrealised capital gains of AOF, DPF or AUPF, as applicable, may become realised for tax purposes if any of the properties are realised. Any net capital gains that arise after any available capital losses are applied may end up being attributed to the relevant unitholders.

11. Investigating Accountant's Report

The Directors
Australian Unity Investment Real Estate Limited (AUIREL) as responsible entity of Australian Unity Office Fund (AOF)
271 Spring St
Melbourne, Victoria 3000

8 November 2021

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Australian Unity Office Fund historical and pro forma forecast and Financial Services Guide

We refer to the proposed merger of the Australian Unity Office Fund (**AOF**) with the Australian Unity Diversified Property Fund (**DPF**) as a result of AOF acquiring all the units in DPF and issuing new AOF units to DPF unitholders at the ratio of 0.455 AOF unit for every 1 DPF unit held (the Transaction). Together AOF and DPF will form the Australian Unity Property Fund (**AUPF**).

We have been engaged by Australian Unity Investment Real Estate Limited (**AUIREL**) as responsible entity of Australian Unity Office Fund (**AOF**) to report on the Financial Information (as defined below) for inclusion in the AOF Explanatory Memorandum (**AOF EM**) dated on or about 15 November 2021 and relating to the issue of new AOF units to Australian Unity Diversified Property Fund (**DPF**) unitholders.

Expressions and terms defined in the AOF EM have the same meaning in this report.

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

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following information included in the AOF EM, collectively the **Financial Information**:

AOF Historical Financial Information

- AOF Statement of Financial Position as at 30 June 2021;
- AOF Income Statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- AOF Distribution Statements for the years ended 30 June 2019, 30 June 2020, and 30 June 2021;

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617,
Holder of Australian Financial Services Licence No 244572
2 Riverside Quay, Southbank, VIC, 3006, GPO Box 1331, Melbourne, VIC, 3001
T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

The AOF Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and AOF's adopted accounting policies. The AOF Historical Financial Information has been extracted from the financial reports of the AOF for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, which were audited by PricewaterhouseCoopers (**PwC**) in accordance with the Australian Auditing Standards. PwC issued unmodified audit opinions on the financial reports. The AOF Historical Financial Information is presented in the AOF EM in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

AOF Directors' Forecast

- the forecast Income Statement and Distribution Statement of AOF for the year ending 30 June 2022, as described in section 8.5(c) of the AOF EM.

The directors' best-estimate assumptions underlying the AOF Directors' Forecast are described in section 8.5(c) of the AOF EM. The stated basis of preparation used in the preparation of the AOF Directors' Forecast being the recognition and measurement principles contained in Australian Accounting Standards and AOF's adopted accounting policies;

AUPF Pro Forma Historical Financial Information

- pro forma historical Statement of Financial Position of the AUPF as at 30 June 2021.

The AUPF Pro Forma Historical Financial Information has been derived from the historical financial information of AOF, after adjusting for the effects of pro forma adjustments described in section [X] of the AOF EM. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and AOF's adopted accounting policies applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 9.5(b) of the AOF EM, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the AUPF Pro Forma Historical Financial Information does not represent AOF's actual or prospective financial position.

AUPF Directors' Statutory Forecast

- the forecast Income Statement and Distribution Statement of AUPF for the year ending 30 June 2022, as described in section 9.5(d) of the AOF EM.

The AUPF Directors' Statutory Forecast has been derived from AOF's Forecast, after adjusting for the effects of the pro forma adjustments including the acquisition of DPF from the assumed implementation date being 22 December 2021 described in section 9.5(d) of the AOF EM. The stated basis of preparation used in the preparation of the AUPF Director's Statutory Forecast being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 9.5(a) of the AOF EM, as if those event(s) or transaction(s) had occurred as at 22 December 2021.

AUPF Directors' Pro Forma Forecast

- the pro forma forecast Income Statement and Distribution Statement of the AUPF for the year ending 30 June 2022, described in section 9.5(c) of the AOF EM.

The AUPF Directors' Pro Forma Forecast has been derived from AOF Directors' Forecast, after adjusting for the effects of the pro forma adjustments including the acquisition of DPF described in section 9.5(c) of the AOF EM. The stated basis of preparation used in the preparation of the AUPF Director's Pro Forma Forecast being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 9.5(a) of the AOF EM, as if those event(s) or transaction(s) had occurred as at 1 July 2021. Due to its nature, the AUPFs Directors' Pro Forma Forecast does not represent the company's actual prospective financial performance, and/or distributions for the year ending 30 June 2022.

Directors' Responsibility

The directors of the Responsible Entity of AOF are responsible for the preparation of the AOF Historical Financial Information and the AUPF Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the AOF Historical Financial Information and included in the AUPF Pro Forma Historical Financial Information.

The directors of the Responsible Entity of AOF are also responsible for the preparation of the AOF Directors' Forecast, including its basis of preparation and the best-estimate assumptions underlying the AOF Directors' Forecast. They are also responsible for the preparation of the AUPF Directors' Statutory Forecast and the AUPF Directors' Pro Forma Forecast, including its basis of preparation and the selection and determination of the pro forma adjustments made to the AOF Directors' Forecast and included in the AUPF Directors' Statutory Forecast and AUPF Directors' Pro Forma Forecast. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical financial information, pro forma historical financial information, a forecast and a pro forma forecast that are free from material misstatement.

Our Responsibility

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

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

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

Conclusions

AOF Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the AOF Historical Financial Information, as described in section 8.5(b) of the AOF EM, and comprising:

- AOF Statement of Financial Position as at 30 June 2021;
- AOF Income Statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021; and
- AOF Distribution Statements for the years ended 30 June 2019, 30 June 2020, and 30 June 2021;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 8.5(a) of the AOF EM being the recognition and measurement principles contained in Australian Accounting Standards and AOF's adopted accounting policies.

AOF Directors' Forecast

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

- the AOF directors' best-estimate assumptions used in the preparation of the forecast Income Statement and Distribution Statement of AOF for the year ending 30 June 2022 do not provide reasonable grounds for the AOF Directors' Forecast; and

- in all material respects, the AOF Directors' Forecast:
    - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 8.5(c) of the AOF EM; and
    - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and

- the AOF Directors' Forecast itself is unreasonable.

AUPF Pro Forma Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the AUPF Pro Forma Historical Financial Information, as described in section 9.5(b) of the AOF EM, and comprising:

- pro forma historical Statement of Financial Position of the AUPF as at 30 June 2021, pwc

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 9.5(a) of the AOF EM being the recognition and measurement principles contained in Australian Accounting Standards and AOF's adopted accounting policies.

AUPF Directors' Statutory Forecast

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

- the directors' best-estimate assumptions used in the preparation of the forecast Income Statement and Distribution Statement of the AUPF for the year ending 30 June 2022 do not provide reasonable grounds for the AUPF Directors' Statutory Forecast; and

- in all material respects, the AUPF Directors' Statutory Forecast:
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 9.5(a) of the AOF EM; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and

- the AUPF Directors' Statutory Forecast itself is unreasonable.

AUPF Directors' Pro Forma Forecast

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

- the directors' best-estimate assumptions used in the preparation of the pro forma forecast Income Statement and Distribution Statement of the AUPF for the year ended 30 June 2022 do not provide reasonable grounds for the AUPF Directors' Pro Forma Forecast; and

- in all material respects, the AUPF Directors' Pro Forma Forecast:
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 9.5(a) of the AOF EM; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies, applied to the AOF Directors' Forecasts and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and

- the AUPF Directors' Pro Forma Forecast itself is unreasonable.

Forecast and Pro Forma Forecast

The AOF Directors' Forecasts, AUPF Directors' Statutory Forecast and AUPF Directors' Pro Forma Forecast have been prepared by management and adopted by the AOF directors in order to provide prospective investors with a guide to the potential financial performance of AOF and AUPF for the year ending 30 June 2022. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the AOF Directors' Forecasts and AUPF Directors'

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Statutory Forecast, and AUPF Directors' Pro Forma Forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

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

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the AUPF, which are detailed in the AOF EM, and the inherent uncertainty relating to the AOF Directors' Forecasts, AUPF Directors' Statutory Forecast and AUPF Directors' Pro Forma Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 10.3 and 9.5(e) of the AOF EM. The sensitivity analysis described in section 9.5(e) of the AOF EM demonstrates the impact on the AUPF Directors' Statutory Forecast of changes in key best-estimate assumptions. We express no opinion as to whether the AOF Directors' Forecasts, AUPF Directors' Statutory Forecast and AUPFs Directors' Pro Forma Forecast will be achieved.

The AOF Directors' Forecasts, AUPF Directors' Statutory Forecast and AUPF Directors' Pro Forma Forecast have been prepared by the AOF directors for the purpose of inclusion in the AOF EM. We disclaim any assumption of responsibility for any reliance on this report, or on the AOF Directors' Forecasts, AUPF Directors' Statutory Forecast and AUPF Funds Directors' Pro Forma Forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Responsible entity of AOF, that all material information concerning the prospects and proposed operations of AOF have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Emphasis of Matter – Fair value of DPF assets and liabilities

We draw your attention to section 9.5(a) of the AOF EM which sets out that in preparing the AUPF Proforma Historical Financial Information and the AUPF Directors' Statutory Forecast, carrying amounts as at 30 June 2021 have been used to determine the assumed fair value of DPF assets and liabilities acquired in accordance with AASB3 Business Combinations. On this basis, the AUPF Proforma Historical Financial Information and the AUPF Directors' Statutory Forecast assumes an expense arising on acquisition.

Accordingly, the AUPF Proforma Historical Financial Information and the AUPF Directors' Statutory Forecast does not necessarily contain all of the adjustments to the reported amounts of assets and liabilities that may be required to reflect their final fair values and in particular does not necessarily recognise the final fair value of identifiable intangible assets separately to goodwill, expense on acquisition or discount on acquisition.

Our conclusions are not modified in respect of this matter.

Notice to investors outside Australia and New Zealand

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

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

Restriction on Use

Without modifying our conclusions, the AOF Financial Information and AUPF Financial Information have been prepared solely for inclusion in the AOF EM (and correspondingly in the DPF Unitholder Booklet). As a result, the AOF Financial Information and AUPF Financial Information may not be suitable for use for another purpose.

Consent

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

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the AOF EM and the DPF Unitholder Booklet. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the AOF EM or the DPF Unitholder Booklet.

Independence or Disclosure of Interest

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

Financial Services Guide

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

Yours faithfully

AWelsh

Andy Welsh
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 8 November 2021

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Australian Unity Investment Real Estate Limited (AURIEL) as responsible entity of Australian Unity Office Fund ("AOF") and Australian Unity Property Limited (AUPL) as responsible entity of Australian Unity Diversified Property Fund ("DPF") to provide a report in the form of an Investigating Accountant's Report in relation to the Financial Information (**the "Report**") for inclusion in the AOF Explanatory Memorandum ("AOF EM") dated on or about 15 November 2021.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

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T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

pwc

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to approximately $275,000 (inclusive of GST) shared equally by AOF and DPF.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of both AOF and DPF.

7. Complaints

If, for any reason, you are not satisfied with the advice or service you receive from PwCS or from our authorised representatives, you are entitled to make a complaint.

If you wish to make a complaint please initially lodge your complaint with your adviser. We have established procedures to ensure all complaints are resolved quickly and fairly. A copy of our internal complaints handling procedure can be provided to you upon request.

If you do not receive a satisfactory outcome to your complaint, you have the right to contact the Australian Financial Complaints Authority ("AFCA"). AFCA provides independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Tel: 1800 931 678 (Free Call)

E-mail: info@afca.org.au
Website: www.afca.org.au

PwCS is a member of AFCA. You will not be charged for using the AFCA service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Andrew Parker
PricewaterhouseCoopers Securities Ltd
2 Riverside Quay,
Southbank, VIC, 3006

The Directors Australian Unity Property Limited (AUPL) as responsible entity of Australian Unity Diversified Property Fund (DPF)
271 Spring St
Melbourne, Victoria 3000

8 November 2021

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Australian Unity Diversified Property Fund historical and forecast and Financial Services Guide

We refer to the proposed merger of the Australian Unity Diversified Property Fund (**DPF**) with the Australian Unity Office Fund (**AOF**) as a result of AOF acquiring all the units in DPF and issuing new AOF units to DPF unitholders at the ratio of 0.455 AOF unit for every 1 DPF unit held (the Transaction). Together AOF and DPF will form the Australian Unity Property Fund (**AUPF**).

We have been engaged by Australian Unity Property Limited (**AUPL**) as responsible entity of Australian Unity Diversified Property Fund (**DPF**) to report on the Financial Information (as defined below) for inclusion in the AOF Explanatory Memorandum (**AOF EM**) dated on or about 15 November 2021 and relating to the issue of new AOF units to Australian Unity Diversified Property Fund (**DPF**) unitholders.

Expressions and terms defined in the AOF EM have the same meaning in this report.

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

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following information included in the AOF EM, collectively the **Financial Information**:

DPF Historical Financial Information

- DPF Statement of Financial Position as at 30 June 2021;
- DPF Income Statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021;
- DPF Distribution Statements for the years ended 30 June 2019, 30 June 2020, and 30 June 2021;

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T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and DPF's adopted accounting policies. The historical financial information has been extracted from the financial report of the DPF for the years ended 30 June 2019, 30 June 2020 and 30 June 2021, which were audited by PricewaterhouseCoopers (**PwC**) in accordance with the Australian Auditing Standards. PwC issued unmodified audit opinions on the financial reports. The historical financial information is presented in the AOF EM in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

DPF Directors' Forecast

- the forecast Income Statement and Distribution Statement of DPF for the year ending 30 June 2022, as described in section 7.5(c) of the AOF EM.

The directors' best-estimate assumptions underlying the DPF Directors' Forecast are described in section 7.5(c) of the AOF EM. The stated basis of preparation used in the preparation of the DPF Directors' Forecast being the recognition and measurement principles contained in Australian Accounting Standards and DPF's adopted accounting policies.

Directors' Responsibility

The directors of the Responsible Entity of DPF are responsible for the preparation of the DPF Historical Financial Information including its basis of preparation.

The directors of the Responsible Entity of DPF are also responsible for the preparation of the DPF Directors' Forecast, including its basis of preparation and the best-estimate assumptions underlying the DPF Directors' Forecast. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of the DPF Historical Financial Information and the DPF Directors' Forecast that are free from material misstatement.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the DPF Historical Financial Information, the DPF Directors' Forecast, the best-estimate assumptions underlying the DPF Directors' Forecast, and the reasonableness of the DPF Directors' Forecast itself, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

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

Conclusions

DPF Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the DPF Historical Financial Information, as described in section 7.5(b) of the AOF EM, and comprising:

- DPF Statement of Financial Position as at 30 June 2021;
- DPF Income Statements for the years ended 30 June 2019, 30 June 2020 and 30 June 2021; and
- DPF Distribution Statements for the years ended 30 June 2019, 30 June 2020, and 30 June 2021;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.5(b) of the AOF EM being the recognition and measurement principles contained in Australian Accounting Standards and DPF's adopted accounting policies.

DPF Directors' Forecast

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

- the DPF directors' best-estimate assumptions used in the preparation of the forecast Income Statement and Distribution Statement of DPF for the year ending 30 June 2022 do not provide reasonable grounds for the DPF Directors' Forecast; and
- in all material respects, the DPF Directors' Forecast:
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 7.5(c) of the AOF EM; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and
- the DPF Directors' Forecast itself is unreasonable.

Forecast

The DPF Directors' Forecast has been prepared by management and adopted by the DPF directors in order to provide prospective investors with a guide to the potential financial performance of the DPF for the year ending 30 June 2022. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the DPF Directors' Forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

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

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in DPF, which are detailed in the AOF EM, and the inherent uncertainty relating to the DPF Directors' Forecast. Accordingly, prospective investors should have regard to the investment risks as described in section 10 of the AOF EM. AOF EM We express no opinion as to whether the DPF Directors' Forecast will be achieved.

The DPF Directors' Forecast has been prepared by the DPF directors for the purpose of inclusion in the AOF EM. We disclaim any assumption of responsibility for any reliance on this report, or on the DPF Directors' Forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Responsible entity of DPF, that all material information concerning the prospects and proposed operations of DPF have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Notice to investors outside Australia and New Zealand

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

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

Restriction on Use

Without modifying our conclusions, the DPF Financial Information has been prepared solely for inclusion in the AOF EM (and correspondingly in the DPF Unitholder Booklet). As a result, the DPF Financial Information may not be suitable for use for another purpose.

Consent

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

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the AOF EM and the DPF Unitholder Booklet. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the AOF EM and the DPF Unitholder Booklet.

Independence or Disclosure of Interest

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

Financial Services Guide

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

Yours faithfully

AWelsh

Andy Welsh
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 8 November 2021

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Australian Unity Investment Real Estate Limited (AURIEL) as responsible entity of Australian Unity Office Fund ("AOF") and Australian Unity Property Limited (AUPL) as responsible entity of Australian Unity Diversified Property Fund ("DPF") to provide a report in the form of an Investigating Accountant's Report in relation to the Financial Information (**the "Report**") for inclusion in the DPF Unitholder Booklet ("DPF UB") dated on or about 15 November 2021.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

5. **Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to approximately $275,000 (inclusive of GST) shared equally by AOF and DPF.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. **Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of both AOF and DPF.

7. **Complaints**

If, for any reason, you are not satisfied with the advice or service you receive from PwCS or from our authorised representatives, you are entitled to make a complaint.

If you wish to make a complaint please initially lodge your complaint with your adviser. We have established procedures to ensure all complaints are resolved quickly and fairly. A copy of our internal complaints handling procedure can be provided to you upon request.

If you do not receive a satisfactory outcome to your complaint, you have the right to contact the Australian Financial Complaints Authority ("AFCA"). AFCA provides independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Tel: 1800 931 678 (Free Call)

E-mail: info@afca.org.au
Website: www.afca.org.au

PwCS is a member of AFCA. You will not be charged for using the AFCA service.

8. **Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Andrew Parker
PricewaterhouseCoopers Securities Ltd
2 Riverside Quay,
Southbank, VIC, 3006

12. Additional information

12.1 AOF RE Directors' interests and benefits

No AOF RE Director holds any Relevant Interest in DPF Units as at the date of lodgement of this Explanatory Memorandum.

AOF RE Directors who hold interests in AOF Units intend to vote in favour of the Merger Resolutions.

12.2 Approvals under ASX Listing Rules

(a) Resolution 1 – Approval under ASX Listing Rule 7.1

ASX Listing Rule 7.1 imposes a limit on the number of equity securities which an ASX listed entity can issue without securityholder approval.

In general terms, an entity may not, without prior securityholder approval, issue, or agree to issue, equity securities if the equity securities will in themselves or when aggregated with the securities issued by the entity during the previous 12 months, exceed 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period, unless an exception applies.

Details of the issue of the AUPF Units under the Proposal are provided in accordance with ASX Listing Rule 7.3 as follows:

Security	AUPF Units issued under the Proposal
Maximum number of units to be issued by AOF	AOF will issue 0.4550 AUPF Units for every 1 DPF Unit held by DPF Unitholders as at the Proposal Record Date. Fractional entitlements will be rounded down to the nearest whole number of units.
Date by which units will be issued	To be issued on the Implementation Date for the Proposal, which is currently expected to be Wednesday, 22 December 2021.
Consideration	100% of the DPF Units
Summary of material terms of the agreement	Refer to Section 6
Allottees	DPF Unitholders
Purpose and use of funds raised	AUPF Units issued under the Proposal as consideration for the transfer of all the DPF Units to AOF RE

The issue of AUPF Units under the Proposal will exceed the 15% limit under ASX Listing Rule 7.1, and no relevant exception applies. AOF RE is therefore seeking AOF Unitholder approval for the issue of the AUPF Units to DPF Unitholders under ASX Listing Rule 7.1.

Accordingly, Resolution 1 seeks approval for the issue of AUPF Units under the Proposal for the purposes of ASX Listing Rule 7.1.

Resolution 1 forms part of the Merger Resolutions which must be passed by AOF Unitholders to satisfy one of the Conditions Precedent to the implementation of the Proposal.

The Proposal will not proceed unless Resolution 1 is passed by AOF Unitholders.

If Resolution 1 is passed, and Resolution 2 and the DPF Unitholder Resolution are passed together with all other Conditions Precedent being satisfied or waived (if applicable), AOF RE and DPF RE will be able to proceed with the implementation of the Proposal, including AOF RE issuing the AUPF Units under the Proposal.

If Resolution 1 is passed, the issue of the AUPF Units under Resolution 1 will be excluded from the calculation of the number of equity securities that AUPF can issue without AUPF Unitholder approval under ASX Listing Rule 7.1.

If Resolution 1 is not passed, or if Resolution 2 or the DPF Unitholder Resolution is not passed, none of the Merger Resolutions will pass. If the Merger Resolutions are not passed, the Proposal will not proceed.

The AOF RE Directors unanimously recommend that AOF Unitholders vote in favour of Resolution 1.

(b) Resolution 2 – Approval under ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides than, unless one of the exceptions in ASX Listing Rule 10.12 applies, an entity must not issue or agree to issue equity securities to any of the following without the approval of holders of ordinary securities in the entity:

- a related party;
- a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the entity;
- a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the entity and who has nominated a director to the board of the entity (in the case of a trust, to the board of the responsible entity of the trust) pursuant to a relevant agreement which gives them a right or expectation to do so;
- an associate of a person referred to in paragraphs (i) to (iii) above; or
- a person whose relationship with the entity or a person referred to in paragraphs (i) to (iv) above is such that, in ASX's opinion, the issue or agreement should be approved by its security holders.

AUPL and LAFS, wholly owned subsidiaries of AUL, are existing DPF Unitholders (in various capacities) holding approximately 13.6 million DPF Units (**DPF Holding**). While AUPL and/or LAFS may, prior to the Proposal Record Date, transfer some or all of the DPF Units held to other AUL Group Members (being wholly owned subsidiaries of AUL), AUL Group will retain (in various capacities) the DPF Holding. If the Proposal is implemented, AUL Group will participate in the issue of AUPF Units in consideration for the transfer of the DPF Holding to AOF.

As an AUL Group Member, AUISH is a substantial holder in AOF and a person referred to in ASX Listing Rule 10.11, having nominated a director to the board of the responsible entity of AOF pursuant to its joint venture agreement with Keppel Capital Two Pte. Ltd. AUPL, LAFS and each of the other AUL Group Members is an associate of AUISH. Accordingly, AOF Unitholder approval for the issue of AUPF Units to the AUL Group Members in exchange for the DPF Holding is required for the purposes of ASX Listing Rule 10.11.

Accordingly, AOF Unitholder approval is being sought in relation to the proposed issue of AUPF Units to the AUL Group Members pursuant to the terms of the Proposal, as each of AUPL, LAFS and other AUL Group Members is a person referred to in ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting to approve the issue of securities to a person referred to in ASX Listing Rule 10.11. The following information in relation to the potential issue of AUPF Units to AUPL, LAFS, and/or any other AUL Group Member under the Proposal is provided as required by ASX Listing Rule 10.13.

Name	• Australian Unity Property Limited (**AUPL**); • Lifeplan Australia Friendly Society Ltd (**LAFS**); and/or • each other AUL Group Member, holding DPF Units (in any capacity) on the Proposal Record Date.
Category of person	ASX Listing Rule 10.11.4, being one or more associates of Australian Unity Investment Strategic Holdings Pty Ltd (**AUISH**), which is a substantial holder in AOF being a person referred to in ASX Listing Rule 10.11.3. Each AUL Group Member including AUPL, LAFS and AUISH, is a wholly owned subsidiary of Australian Unity Limited.
Consideration	All DPF Units held by the AUL Group on the Proposal Record Date.
Number of AUPF Units to be issued (based on the Merger Ratio)	AOF will issue 0.4550 AUPF Units for every 1 DPF Unit held as at the Proposal Record Date, with fractional entitlements rounded down to the nearest whole number of AUPF Units. Based on AUL Group holding approximately 13.6 million DPF Units, AUL Group will be issued approximately 6.2 million AUPF Units.
Date by which AUPF Units will be issued	To be issued on the Implementation Date for the Proposal, which is currently expected to be Wednesday, 22 December 2021.
Purpose of issue and use of funds raised	AUPF Units issued under the Proposal as consideration for the transfer of the DPF Units held by each AUL Group Member to AOF RE.
Summary of material terms of the agreement	Refer to Section 6.

Resolution 2 forms part of the Merger Resolutions which must be passed by AOF Unitholders to satisfy one of the Conditions Precedent to the implementation of the Proposal.

The Proposal will not proceed unless Resolution 2 is passed by AOF Unitholders.

If Resolution 2 is passed, and Resolution 1 and the DPF Unitholder Resolution are passed, together with all other Conditions Precedent being satisfied or waived (if applicable), AOF RE and DPF RE will be able to proceed with the implementation of the Proposal, including AOF RE issuing the AUPF Units under the Proposal.

If Resolution 2 is passed, the issue of the AUPF Units under Resolution 2 will be excluded from the calculation of the number of equity securities that AUPF can issue without AUPF Unitholder approval under ASX Listing Rule 7.1.

If Resolution 2 is not passed, or if Resolution 1 or the DPF Unitholder Resolution is not passed, none of the Merger Resolutions will pass. If the Merger Resolutions are not passed, the Proposal will not proceed.

The AOF RE Directors unanimously recommend that AOF Unitholders vote in favour of Resolution 2.

12.3 ASIC matters

AOF RE and DPF RE have applied for the following ASIC relief in connection with the Proposal.

Applicable law	Relief request
Division 5A of Part 7.9 of the Corporations Act	**Unsolicited offer** allow AOF RE to make an offer to acquire all the units in DPF.
Division 2 of Part 7.7 of the Corporations Act	**Financial services guide** does not apply so as to require DPF RE or AOF RE to provide unitholders of DPF with a financial services guide.
Subsection 1016A(2) of the Corporations Act and ASIC Corporations (Application Form Requirements) Instrument 2017/241	**Application form** allow Proposal consideration (the Merger Ratio) to be issued without an application form.
Sections 1013B(1) and 1015C of the Corporations Act, and ASIC Corporations (Capital Reductions and Reconstructions—Technical Disclosure Relief) Instrument 2017/242	**PDS requirements** remove the requirement that the PDS to be issued by AOF RE as responsible entity of AOF be titled 'Product Disclosure Statement' and to make it clear that distribution of the PDS to a DPF Unitholder's registered address constitutes giving the PDS to that person.
Subsection 601FC(1)(d) of the Corporations Act	**Equal treatment** allow certain Foreign DPF Unitholders to be excluded from receiving Proposal consideration (the Merger Ratio).
Section 1020B of the Corporations Act as modified by ASIC Corporations (Short Selling) Instrument 2018/745	**Short selling** allow deferred settlement trading of units in AOF on ASX.
Section 601ED, Divisions 2 to 5 of Part 7.9 and Section 911A of the Corporations Act	**Managed investment provisions, AFS licensing provisions and product disclosure provisions** Relief from: • requiring the Foreign Sale Facility to be registered as a managed investment scheme; • requiring an Australian financial services licence; and • complying with disclosure obligations.

12.4 FIRB

AOF RE has applied to FIRB seeking a no objection notification in respect of the acquisition of the DPF Units pursuant to the Proposal. AOF RE will make an ASX announcement once the outcome of AOF RE's FIRB application is known.

12.5 Benefits agreed to be given to DPF Unitholders during previous four months

Other than as disclosed in this Explanatory Memorandum, in the four months before the date of this Explanatory Memorandum neither AOF RE nor any Associate of AOF RE gave, or offered to give or agreed to give, a benefit to another person that is not available under the Proposal and was intended to or likely to induce the other person, or any Associate of the other person to:

(a) vote in favour of the Merger Resolutions; or

(b) dispose of their DPF Units to AOF.

12.6 Consents and disclaimers

The following persons have given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and the context in which they are named, or to the inclusion of the reports noted next to their names and the references to those reports in the form and context in which are they included in this Explanatory Memorandum:

(a) DPF RE, in respect of the DPF Information;

(b) KPMG Corporate Finance, in respect of the Independent Expert's Report;

(c) PricewaterhouseCoopers Securities Ltd, in respect of the Investigating Accountant's Report;

(d) Highbury Partnership, as financial adviser to AOF RE;

(e) MinterEllison, as legal and tax adviser to AOF RE;

(f) Boardroom Pty Limited as Registry.

12.7 Application for quotation

AOF RE will apply to ASX for official quotation of the New AUPF Units to be issued under the Proposal within seven days after the date of this Explanatory Memorandum.

12.8 Key terms of the Merger Implementation Deed

(a) Conditions Precedent

The obligations of AOF RE and DPF RE to implement the Proposal under the Merger Implementation Deed are conditional on the satisfaction or waiver of the Conditions Precedent, which includes the following:

(i) AOF RE has obtained the relevant FIRB approval or confirmation it is not precluded from implementing the Proposal without FIRB approval;

(ii) the independent experts of AOF RE and DPF RE conclude that the Proposal is in the best interests of the AOF Unitholders and DPF Unitholders, respectively, and does not change or withdraw that conclusion between the relevant unitholder meetings.

(iii) no AOF material adverse change or DPF material adverse change has occurred between the date of the Merger Implementation Deed and 8.00am on the Effective Date;

(iv) The Merger Resolutions are passed at the Meeting by the requisite majorities; and

(v) the DPF Unitholders pass resolutions which have the effect of enabling the Proposal to be implemented.

The steps to implement the Proposal will not occur if the Conditions Precedent are not satisfied or waived by 31 March 2022 (or other date agreed between AOF RE and DPF RE).

(b) AOF RE's obligations

Under the Merger Implementation Deed, AOF RE is under a general obligation to take all steps reasonably necessary to implement the Proposal in accordance with an agreed timetable. AOF RE must also:

(i) prepare this Explanatory Memorandum in accordance with the requirements of the Corporations Act, ASX Listing Rules and the Regulatory Guides;

(ii) announce the unanimous recommendation of the AOF RE Board to vote in favour of the Merger Resolutions (subject to the Independent Expert confirming the Proposal is in the best interests of AOF Unitholders and in the absence of a Superior Proposal);

(iii) appoint the AOF Independent Expert; and

(iv) consult with ASX and make application to ASX for the ASX Confirmations and keep DPF RE informed of any material matter raised by ASX in relation to the Proposal and where practical to do so, consult with DPF RE in good faith prior to taking any steps or actions to address the matter.

(c) DPF RE's obligations

Under the Merger Implementation Deed, DPF RE is under a general obligation to take all steps reasonably necessary to implement the Proposal in accordance with an agreed timetable. DPF RE must also:

(i) prepare the DPF Explanatory Memorandum for the purposes of the Constitutional Amendment Resolution in accordance with the requirements of the Corporations Act, ASX Listing Rules and the Regulatory Guides;

(ii) announce the unanimous recommendation of the DPF RE Board to vote in favour of the Constitutional Amendment Resolution (subject to the Independent Expert confirming the Proposal is in the best interests of DPF Unitholders and in the absence of a Superior Proposal);

(iii) appoint the DPF independent expert; and

(iv) consult with AOF RE as to the content and preparation of the DPF Explanatory Memorandum and any other documents required for the purposes of court hearings held by the purposes of the Proposal and consider in good faith any comments on, or suggested amendments to, those documents from AOF RE prior to filing those document with the court.

(d) Representations and warranties

Under the Merger Implementation Deed, each of AOF RE and DPF RE provide certain standard representations and warranties to each other in relation to their status and the execution and performance of their respective obligations under the Merger Implementation Deed.

(e) Termination Events

The Merger Implementation Deed contains standard termination rights for both AOF RE and DPF RE. These termination rights include termination:

(i) by either party if DPF RE receives a Superior Proposal after the date of the Merger Implementation Deed and the DPF RE Board or AOF RE Board make a public statement to the effect that it no longer recommends that DPF Unitholders or AOF Unitholders (as relevant) vote in favour of the relevant resolutions or that it supports a Superior Proposal;

(ii) by either party if the other party is in material breach of the Merger Implementation Deed;

(iii) by either party if the Conditions Precedent are not satisfied or waived; and

(iv) by DPF RE if an AOF material adverse change, or by AOF RE if a DPF material adverse change, has occurred between the date of the Merger Implementation Deed and 8.00am on the Effective Date.

(f) Exclusivity

(i) No shop and no talk

DPF RE and AOF RE and each of its representatives must not participate in discussions with respect to any proposal by any person to directly or indirectly:

(A) solicit, invite, encourage or initiate any enquiries, expressions of interest, offers, proposals or discussions; or

(B) negotiate, enter into or participate in or continue any negotiations or discussions with any other person

(C) communicate any intention to do any of these things,

in relation to, or that could reasonably be expected to encourage or lead to, or with a view to obtaining, an actual, proposed or potential Competing Proposal which may otherwise lead to the Proposal not completing.

(ii) No due diligence

Subject to a standard fiduciary carve out, each of AOF RE and DPF RE must not and must ensure that each of its Representatives does not, directly or indirectly, in relation to an actual, proposed or potential Competing Proposal:

(A) solicit, invite, initiate, or encourage or facilitate or permit, or enable any other person other than the other party to this deed to undertake due diligence investigations in relation to the party, its controlled entities or any of their businesses or operations; or

(B) disclose or make available to any other person, or permit any other person to receive, other than the other party to this deed (in the course of due diligence investigations or otherwise) any non-public information relating to the party, its controlled entities or any of their businesses or operations.

12.9 Privacy

AOF RE complies with the *Privacy Act 1988* (Cth) and is bound by the National Privacy Principles governing the handling of personal information. AOF RE has adopted a privacy policy which can be obtained from its website or from its privacy officer. This Section summarises AOF RE's information handling practices which are detailed in the privacy policy. Information collected by AOF RE is used primarily to enable AOF RE to record and maintain relevant details about investors, service providers and others it deals with to facilitate payments, to enable corporate communications and to promote AUL Group's products and services. If related entities or service providers assist AOF RE to do those things, then AOF RE may disclose personal information to them. Information about an investor may also be provided to their nominated financial advisor. AOF RE makes reasonable efforts to ensure the confidentiality and security of records covering personal information. If personal information is requested on a proxy form, or other form associated with voting, but not provided then AOF RE may not be able to accept your vote.

13. Glossary

13.1 Definitions

In this Explanatory Memorandum, the following terms have the meanings shown.

AEDT	Australian Eastern Daylight Time.
AOF	Australian Unity Office Fund ARSN 113 369 627.
AOF Board	the directors of AOF RE.
AOF RE	Australian Unity Investment Real Estate Limited ACN 606 414 368 in its capacity as responsible entity of AOF (and, in the context following implementation of the Proposal, in its capacity as responsible entity for AUPF).
AOF RE Board	the board of directors of AOF RE.
AOF Information	all information in this Explanatory Memorandum that is not DPF Information.
AOF Unit	a fully paid ordinary unit in AOF.
AOF Unitholder	each person who is registered as the holder of a AOF Unit in the AOF register (at the relevant time).
AFSL	Australian Financial Services Licence.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in the Corporations Act.
ASX	ASX Limited as operator of the Australian Securities Exchange or the Australian Securities Exchange, as the context requires.
ASX Listing Rules	the official listing rules of ASX.
ATO	the Australian Taxation Office.
AUFML	Australian Unity Funds Management Limited.
AUIREL	Australian Unity Investment Real Estate Limited ACN 606 414 368.
AUL	Australian Unity Limited ACN 087 648 888.
AUL Group	AUL and each of its Subsidiaries (and a reference to "Australian Unity" in this Explanatory Memorandum has the same meaning as AUL Group).
AU Group Managed Entities	each member of the AUL Group and each fund, trust or other investment vehicle for which a member of the AUL Group acts as trustee or responsible entity.
AUL Group Member	a member of the AUL Group.
AUPF or Australian Unity Property Fund	the merged fund to be formed if the Proposal is implemented, comprising AOF and interests held in DPF.

AUPF Refinancing	the refinancing of the existing AOF debt facility to form at least $600 million debt facility for AUPF.
AUPF Unit	a fully paid ordinary unit in AUPF.
AUPF Unitholder	each person who is registered as the holder of an AUPF Unit in the AUPF register (at the relevant time).
AUPL	Australian Unity Property Limited ACN 079 538 499.
AUPM	Australian Unity Property Management Pty Limited ACN 073 590 600.
AUISH	Australian Unity Investment Strategic Holdings Pty Ltd ACN 169 385 175.
AUSH	Australian Unity Strategic Holdings Pty Limited ACN 006 803 050.
Business Day	a business day for the purposes of the ASX Listing Rules.
Capped Withdrawal Facility	the capped withdrawal facility with one-off increased withdrawal capacity to DPF's withdrawal facility, up to a minimum of $24.8 million for redemptions prior to implementation of the Proposal, as described, and subject to the terms set out, in the DPF Booklet.
Competing Proposal	any expression of interest, proposal, offer, transaction or arrangement by or with any person as a result of which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in accordance with its terms: (a) a person other than AOF will: (i) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in, all or a substantial part of DPF; (ii) acquire a Relevant Interest in 50% or more of the DPF Units or otherwise acquire control of DPF; or (iii) otherwise directly or indirectly acquire or merge with DPF or a substantial part of its assets or business, whether by way of takeover offer, trust scheme, unitholder approved acquisition, capital reduction, unit buy back, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding company or trust for DPF or other synthetic merger or any other transaction or arrangement; or (b) DPF would be required to abandon or otherwise fail to proceed with the Proposal.
Conditions Precedent	the conditions to the implementation of the Proposal summarised in Section 12.8(a) of this Explanatory Memorandum which include, for the avoidance of doubt, the AUPF Refinancing.
Corporations Act	the Corporations Act 2001 (Cth) and Corporations Regulations 2001 (Cth).
Cross Holding	DPF's holding of approximately 9.7 million AOF Units, representing 5.9% of total AOF Units on issue at the date of this Explanatory Memorandum.
Deed Poll	the deed poll in the form attached as Annexure C to the DPF Booklet.
Dollars or $	Australian dollars.
DPF	Australian Unity Diversified Property Fund ARSN 106 724 038.
DPF Booklet	the DPF Unitholder Booklet dated 15 November 2021.
DPF Constitution	the constitution of DPF, as amended from time to time.

DPF Information	the information in this Explanatory Memorandum which has been prepared by DPF RE for inclusion in this Explanatory Memorandum and for which DPF RE is responsible, being the information set out in: (a) Item 3.3 of Section 3; (b) Section 7; and (c) the following in Section 9: (i) 9.2 (in respect of information in relation to DPF only) (ii) 9.3(a); (iii) 9.4 (to the extent it relates to the North Blackburn Shopping Centre or the Busselton Central Shopping Centre); (iv) 9.5 (in respect of information in relation to DPF only); and (v) 9.9 (in respect of information in relation to DPF only), of this Explanatory Memorandum.
DPF Meeting	the meeting of DPF Unitholders to consider the DPF Unitholder Resolution.
DPF RE	Australian Unity Property Limited ACN 079 538 499.
DPF RE Board	the directors of DPF RE.
DPF Unit	a fully paid ordinary unit in DPF.
DPF Unitholder(s)	each person who is registered as the holder of a DPF Unit in the DPF register (at the relevant time).
DPF Unitholder Resolution	the resolution to be considered by DPF Unitholders in respect of the Proposal.
Effective	when the Proposal comes into effect, which will be when the Supplemental Deed Poll is executed and lodged with ASIC which will be as soon as practicable after the Second Judicial Advice Date but in any event, no later than 4.00pm on the first Business Day after that date, or such other date as DPF RE and AOF RE agree.
Effective Date	the date on which the Proposal becomes Effective (expected to be Thursday, 16 December 2021).
Explanatory Memorandum	means this booklet dated 15 November 2021 prepared for AOF Unitholders, comprising a notice of meeting and explanatory memorandum for AOF Unitholders in relation to the Merger Resolutions.
FFO	funds from operations.
Foreign DPF Unitholder	a DPF Unitholder whose address as shown on the DPF register as at the Proposal Record Date is in a place outside Australia and its external territories, New Zealand, and such other jurisdictions as AOF RE and DPF RE agree in writing or as may be required by ASIC.
FY19	the financial year ended 30 June 2019.
FY20	the financial year ended 30 June 2020.
FY21	the financial year ended 30 June 2021.
FY22	the financial year ended 30 June 2022.
Implementation Date	the date that the Proposal is implemented, expected to be Wednesday, 22 December 2021.

Independent Expert	KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, of which KPMG Corporate Finance is a division.
Independent Expert's Report	the report prepared by the Independent Expert in respect of the Proposal, which is set out in Annexure A.
Investigating Accountant	PricewaterhouseCoopers Securities Ltd ABN 54 003 311 617.
Investigating Accountant's Report	the report of the Investigating Accountant, which is set out in Section 11 of this Explanatory Memorandum.
LAFS	Lifeplan Australia Friendly Society Ltd ACN 087 649 492.
LVR	loan to value ratio.
m^2	square metres.
Meeting	the meeting of AOF Unitholders convened to consider the Merger Resolutions as detailed in the Notice of Meeting.
Merger Implementation Deed	the merger implementation deed dated 4 October 2021 between AOF RE and DPF RE relating to the implementation of the Proposal.
Merger Ratio	0.4550 AUPF Units for each DPF Unit held as at the Proposal Record Date.
Merger Resolutions	the resolutions to be considered at the Meeting, as set out in the Notice of Meeting.
Notice of Meeting	the notice of meeting relating to the Merger Resolutions which is contained in Schedule 1.
NLA	net lettable area.
NTA	the net tangible assets – calculated as the total assets of an entity, minus any intangible assets such as goodwill, patents and trademarks, less all liabilities.
Proposal	the proposal under which all the units in DPF are to be transferred to AOF RE from DPF Unitholders by way of a trust scheme of arrangement to be implemented by way of amendments to the DPF Constitution.
Proposal Record Date	the time and date for determining entitlements of DPF Unitholders to AUPF Units under the Proposal (expected to be 6.00pm (AEDT) on Friday, 17 December 2021).
Proxy Form	the form by which am AOF Unitholder may appoint a proxy to vote on the Merger Resolutions without attending the Meeting in person, a copy of which is enclosed with this Explanatory Memorandum.
PwC	PricewaterhouseCoopers, auditor to both AOF and DPF.
REIT	an Australian real estate investment trust.
Registry	Boardroom Pty Limited ACN 003 209 836.
Relevant Interest	has the meaning given to it in the Corporations Act.
Responsible Entity	in respect of a registered management investment scheme, the company named in ASIC's record of the scheme's registration as responsible entity.
Sale Agent	Evans and Partners Pty Ltd ABN 85 125 338 785.

Second Judicial Advice Date	the date on which DPF RE obtains confirmation from the relevant court confirming, amongst other things, that DPF RE would be justified in proceeding to implement the Proposal.
Section	a section of this Explanatory Memorandum.
Subsidiary	has the meaning given to it in the Corporations Act.
Superior Proposal	means a Competing Proposal which: (a) is bona fide; (b) is proposed in writing by or on behalf of a person who the DPF RE Board considers is of reputable commercial standing; (c) in the determination of the DPF RE Board acting in good faith is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and (d) in the determination of the DPF RE Board acting in good faith and in order to satisfy what the DPF RE board considers to be its fiduciary or statutory duties (having taken appropriate legal advice) would, if completed substantially in accordance with its terms, result in a transaction more favourable to the DPF Unitholders than the merger contemplated by the Proposal.
Supplemental Deed Poll	the deed poll to be entered into by DPF RE to amend the constitution of DPF RE pursuant to section 601GC(1) of the Corporations Act.
Voting Record Date	the time and date for determining eligibility to vote at the Meeting (expected to be 7.00pm on Wednesday, 8 December 2021).
WALE	weighted average lease expiry in years (by gross property income)

13.2 Interpretation

In this Explanatory Memorandum (other than the Schedules):

- except as otherwise provided, all words and phrases used in this Explanatory Memorandum have the meanings (if any) given to them by the Corporations Act;
- headings are for ease of reference only and will not affect the interpretation of this Explanatory Memorandum;
- words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;
- all times and dates referred to in this Explanatory Memorandum are times and dates in Australian Eastern Daylight Time, being the time in Sydney, Australia, unless otherwise indicated;
- a reference to $, A$, AUD and cents is to Australian currency, unless otherwise stated; and
- a reference to a section, Schedule or Annexure is to a section in, Schedule or Annexure to this Explanatory Memorandum, unless otherwise stated.

Schedule 1 – Notice of Meeting

Australian Unity Office Fund
Notice of Meeting

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

Place:	Virtually (see further details below)
Date:	Friday 10 December 2021
Registration:	12.30pm (AEDT)
Time	1.00pm (AEDT)
Proxy Form Deadline:	1.00pm (AEDT) on Wednesday, 8 December 2021

In light of the COVID-19 pandemic and the associated government restrictions in place on travel and public gatherings, there will not be a physical venue for the Meeting that unitholders of AOF (**AOF Unitholders**) can attend.

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

Business

The formal business of the Meeting will consist of the following:

Resolution 1 – Approval under ASX listing rule 7.1

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution of the Company:

"That, subject to the passing of Resolution 2 and the DPF Unitholder Resolution, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue by AOF RE of 0.4550 AUPF Units for each DPF Unit held by DPF Unitholders as at the Proposal Record Date for the purposes of, and on the terms set out in, the Explanatory Memorandum accompanying this Notice of Meeting."

Voting exclusion: In accordance with ASX Listing Rule 7.3, AOF RE will disregard any votes cast in favour of Resolution 1 by or on behalf of:

- a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely by reason of being a holder of AOF Units; or
- an associate of any of those persons.

However, this does not apply to a vote cast in favour of Resolution 1 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with a direction given to the Chair to vote on Resolution 1 as their Chairman 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 the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on Resolution 1; and
  - the holder votes on Resolution 1 in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 2 – Approval under ASX Listing Rule 10.11

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

"That, subject to the passing of Resolution 1 and the DPF Unitholder Resolution, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for AOF RE to issue 0.4550 AUPF Units for each DPF Unit held by AUL Group Members as at the Proposal Record Date for the purposes of, and on the terms set out in, the Explanatory Memorandum accompanying this Notice of Meeting."

Voting exclusion: In accordance with ASX Listing Rule 10.13, AOF RE will disregard any votes cast in favour of Resolution 2 by or on behalf:

- of AUL Group Members who will participate in the Proposal as DPF Unitholders and any other person who will obtain a material benefit as a result of the proposed issue of the AUPF Units, except a benefit solely by reason of being a holder of AOF Units; or
- an associate of any of those persons.

However, this does not apply to a vote cast in favour of Resolution 2 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with directions given to the proxy or attorney to vote on Resolution 2 in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with a direction given to the Chair to vote on Resolution 2 as their 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 the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on Resolution 2; and
  - the holder votes on Resolution 2 in accordance with directions given by the beneficiary to the holder to vote in that way.

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 the Merger Resolutions and detailed information about the Proposal. To enable AOF Unitholders to make an informed decision as to how to vote on each of the Merger Resolutions, please carefully read this Explanatory Memorandum. The AOF RE Board unanimously recommends that AOF Unitholders should vote in favour of the Merger Resolutions.

This Explanatory Memorandum has been prepared to provide AOF Unitholders with sufficient information to assess the merits of the Merger Resolutions. AOF Unitholders should read the Explanatory Memorandum in full before making any decisions in relation to the Merger 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.

Independent expert's report

The independent expert's report from KPMG Corporate Finance provided with the Explanatory Statement has concluded that the Proposal is in the best interests of AOF Unitholders, in the absence of a Superior Proposal.

Required voting threshold

Each Merger Resolution is an ordinary resolution and will be passed if it is passed by at least 50% of the votes cast by unitholders entitled to vote on the Merger Resolution.

Attending the virtual meeting

The Meeting will be held virtually using the online platform provided by AOF's registry, Boardroom Pty Limited (**Registry**). AOF Unitholders and their appointed proxies, attorneys or corporate representatives who wish to participate in the Meeting online may do so:

1. from their computer, by entering the URL in their browser: https://web.lumiagm.com/309-536-856
2. from their mobile device by either entering the URL in their browser: https://web.lumiagm.com/309-536-856

If you wish to participate in the Meeting as an AOF Unitholder online or through the app, you can log in to the Meeting by entering:

1. your username, which is your Voting Access Code (VAC), which can be located on the first page of your proxy form or Notice of Meeting email; and
2. your password, which is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the user guide for their password details.

If you cannot attend the Meeting, you may appoint a proxy, attorney or if you are a body corporate, a corporate representative, to attend on your behalf. If you have been appointed as a proxy, please contact the Registry on 1300 737 760 or +61 2 9290 9600 for details on how you can access the Meeting.

Attending the Meeting online enables AOF Unitholders and their appointed proxies, attorneys or corporate representatives to view the Meeting live and to also ask questions.

Registration for the meeting will open at 12:30pm (AEDT) on Friday, 10 December 2021. To register your attendance please log onto the Meeting via the online platform at least 15 minutes before the Meeting starts.

More information regarding participating in the Meeting online can be found in the Online Meeting User Guide which is enclosed with this Notice of Meeting.

If you have trouble accessing or using the online platform during the Meeting, please call 1300 737 760 or +61 2 9290 9600.

Voting instructions

Entitlement to attend, participate and vote

Persons holding AOF Units at 7.00pm (AEDT) on Wednesday, 8 December 2021 (**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 7.00pm (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 virtually (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 in person (albeit virtually), you must attend the Meeting. Registration for the Meeting commences at 12.30pm (AEDT) on Friday 10 December 2021. 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 of unitholders 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 12, 225 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;
- By emailing it to proxy@boardroomlimited.com.au; or
- Online at: https://www.votingonline.com.au/aofgm2021

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 1.00PM (AEDT) ON WEDNESDAY, 8 DECEMBER 2021.

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 1.00PM on Wednesday, 8 December 2021; or
- ask a question during the Meeting via the online platform.

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 of unitholders 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.

If you have any questions about the Meeting please contact AOF unitholder information line on 1300 158 729 (within Australia), +61 2 9066 4058 (outside Australia) between 9.00am and 5.00pm (AEDT) Monday to Friday.

By order of the Board of Directors

Liesl Petterd
Company Secretary

Annexure A – Independent Expert's Report

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
Australian Financial Services Licence No. 246901
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DX: 30824 Melbourne
www.kpmg.com.au

Mr. Peter Day
Chairman
Australian Unity Investment Real Estate Limited as
Responsible Entity of Australian Unity Office Fund
271 Spring Street
Melbourne VIC 3000

10 November 2021

Dear Directors

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

On 7 July 2021, Australian Unity Investment Real Estate Limited (**AOF RE**) as responsible entity of Australian Unity Office Fund (**AOF**) announced a proposal to investigate a merger of AOF with Australian Unity Diversified Property Fund (**DPF**), to create Australian Unity Property Fund (**AUPF or Merged Group**).

On 20 September 2021, AOF RE announced that AOF and DPF had reached in principle agreement on a merger ratio. On 4 October 2021, AOF RE announced that AOF had entered into a merger implementation deed (**MID**) with Australian Unity Property Limited (**DPF RE**) as responsible entity of DPF under which all the Units in DPF would be transferred to AOF RE from DPF Unitholders by way of a trust scheme of arrangement (**Proposal**).

Under the Proposal, AOF will acquire all of the Units in DPF in consideration for the issue of AUPF Units (being new units in the renamed AOF) to DPF Unitholders at the ratio of 0.455 AUPF Unit for every one DPF Unit (**Merger Ratio**). Post implementation of the Proposal, existing AOF Unitholders will own approximately 54% of AUPF and DPF Unitholders will own approximately 46% of AUPF (which is consistent with the in principle terms announced on 20 September 2021).

The Proposal is to be implemented by way of a DPF trust scheme (**Trust Scheme**) subject to judicial advice and obtaining various approvals from both AOF and DPF Unitholders, that are required to facilitate the Trust Scheme.

The issue of AUPF Units as scrip consideration to DPF Unitholders under the Trust Scheme will require AOF Unitholder approval of ordinary resolutions under Australian Securities Exchange (**ASX**) Listing Rule 7.1 and Listing Rule 10.11 (**Merger Resolutions**).

The Proposal, the Merger Resolutions, the implementation and conditions are described more fully in Section 4 of this report and Section 6 of the Explanatory Memorandum.

AOF is an ASX listed real estate investment trust (**REIT**) that wholly owns a diversified portfolio of office properties located across both metropolitan and Central Business District (**CBD**) markets, in Sydney, Adelaide, Melbourne, Brisbane and Canberra. AOF RE is owned equally by subsidiaries of Australian Unity Limited (**Australian Unity**) and Keppel Capital Holdings Pte Ltd.

AOF had a market capitalisation of $409.3[1] million on 17 September 2021, the last trading day before the announcement of the Merger Ratio under the Proposal.

DPF is an unlisted property fund that owns properties across Australia, diversified across retail, office, multi-use (office or industrial) and industrial sectors.

The Directors of AOF RE have stated that they unanimously recommend that AOF Unitholders vote in favour of the Merger Resolutions, in the absence of a superior proposal and subject to an independent expert concluding that the Proposal is in the best interests of AOF Unitholders.

Therefore, the AOF RE Directors have requested that KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an independent expert report (**IER**) setting out whether the Proposal is in the best interests of AOF Unitholders.

This IER sets out KPMG Corporate Finance's opinion as to the merits or otherwise of the Proposal and should be considered with, and not independently of, the information set out in the Explanatory Memorandum.

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

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

2 Scope of report

The Proposal is to be implemented by way of a trust scheme under Section 601GC(1) and Section 611 of the Corporations Act 2001 (Cth). Although there is no legal requirement for an IER to be prepared in relation to the Merger Resolutions, it is a condition precedent to the Trust Scheme as set out in Section 3 of the MID.

In undertaking our work we have had regard to the guidance provided by Australian Securities and Investments Commission (**ASIC**) in its Regulatory Guides and in particular Regulatory Guide 111 'Content of expert reports' (**RG111**), which outlines the principles and matters which it expects a person preparing an independent expert report to consider when providing an opinion.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 5.2 of this report.

3 Summary of opinion

In our opinion, **the Proposal is in the best interests of AOF Unitholders** in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Proposal is:

[1] Calculated as the closing price on 17 September 2021 of $2.49 multiplied by 164.4 million AOF Units on issue

- ***fair*** for AOF Unitholders, by comparing our assessed value per AOF Unit before the Proposal with our assessed value per AUPF Unit following the Proposal. This assessment has been undertaken based on a 'merger of equals' analysis, and
- ***reasonable*** for AOF Unitholders, by assessing the implications of the Proposal for AOF Unitholders, the alternatives to the Proposal and consequences of not approving the Proposal.

Our assessment has concluded that **the Proposal is fair and reasonable for AOF Unitholders**. As such, in accordance with RG111, we have concluded that **the Proposal is in the best interests of AOF Unitholders**.

Background to the Proposal

The following discussion provides context of events preceding AOF entering into the MID.

The focus of AOF is to provide unitholders with sustainable income returns and the potential for capital growth over the long-term by investing in a diversified portfolio of Australian properties. Since listing on the ASX in 2016, AOF has completed two acquisitions, however further advancements in this regard have been constrained by competitive property markets and access to funding at an appropriate cost of capital.

Over the course of 2018 to early 2020, AOF was the subject of attempted corporate takeover activity, likely the result of the characteristics of AOF, including being a medium size property fund, with limited unit price liquidity arising from a concentration of unitholders on the register. In 2018, Starwood Capital Asia Limited, on behalf of Starwood Capital Group (**Starwood**) made multiple offers to acquire AOF, ranging from $2.43 to $2.87 per unit, which were rejected by the Board of AOF RE.

During 2019, AOF progressed a proposal by CHAB Office Pty Ltd (**CHAB**), a consortium comprising Charter Hall Group and Abacus Property Group, to acquire all the units in AOF for $3.04 per unit by a trust scheme. Whilst the scheme was recommended by the Board of Directors and put to unitholders, it did not proceed as a resolution to amend the AOF constitution failed to pass at the scheme meeting held in November 2019. We understand this was mainly due to competing priorities of investors, ranging from a desire to continue to hold the investment, to avoidance of the capital gains tax triggered by the sale of units and subsequent reinvestment decision. Ultimately an insufficient number of investors wished to sell their units under the terms of the trust scheme.

In January 2020, Starwood made a second approach with an offer of $2.98 per unit. However, when AOF refinanced its debt facilities in the ordinary course of business (creating a technical breach of the 'no new financing' condition of the Starwood offer), Starwood declined to waive the condition and allowed the offer to lapse.

With the onset of the COVID-19 global pandemic, AOF suffered a net decline in the value of the property portfolio during the six-month period to June 2020 of $16.2 million. The positive valuation uplift of Valentine Avenue was offset by the negative impact of COVID-19 on underlying property valuation assumptions, including lower economic growth, increased incentives to tenants, increased downtime assumptions and rent relief.

AOF continued to trade at a discount to Net Tangible Assets (**NTA**) following the onset of the COVID-19 global pandemic leading to the announcement of a strategic assessment in February 2021 with the assistance of Highbury Partnership. The results of the assessment outlined a strategy to complement the current office focused portfolio with a targeted and diversified portfolio of Australian real estate assets. The strategic assessment focused on three possible scenarios: growing and enhancing the portfolio, maintaining the portfolio or divesting the portfolio with a capital return to unitholders.

After careful analysis and consideration, the Board of AOF RE decided that growing and enhancing the portfolio would achieve the strategic priorities of AOF more so than the other two options. Maintaining the current portfolio posed liquidity and lease expiry risks and divesting the entire portfolio posed significant risks regarding proceeds and potentially realising a capital gains tax liability on the portfolio of between $241 million and $341 million.

AOF investigated a number of options to achieve the stated objective, including joint ventures, combinations with listed REITs and discussions with cornerstone investors. During this process, DPF (with its diversified property portfolio and long weighted average lease expiry (**WALE**)) was identified as a fund that would complement AOF's refined strategy to diversify and allow AOF to continue to provide income sustainability to unitholders. In return, AOF's capital base would assist with DPF's current capital constraints, to further fund in-progress development projects, so as to unlock further value upside. The combination of the two funds would provide benefits of scale, diversification and potentially access to more affordable capital.

AOF entered into arm's length negotiations with DPF regarding the terms of a merger, in particular a merger ratio with reference to NTA underpinned by independent property valuations. The results of these negotiations led to AOF and DPF entering into the MID.

It is in this context that KPMG Corporate Finance has assessed the Proposal as discussed below.

3.1 Assessment of the fairness of the Proposal

3.1.1 Merger of equals

In forming a view as to whether the Proposal is fair, we have first considered whether the Proposal is a "merger of equals" as opposed to a control transaction, as this determines the basis of determining the relative values of AOF and DPF under the Merger Ratio.

We consider the Proposal is in substance a "merger of equals" rather than a control transaction (takeover). Whilst there are various factors which demonstrate an intention of mutuality, in forming our view we have considered the structure of the Proposal, the basis of the Merger Ratio (referencing NTA) and relative ownership, similarity and size of business, aspects of control and management. This is discussed further in Section 5.

As we have assessed the fairness of the Proposal on the basis of a 'merger of equals', we have assessed the value of AOF and DPF (and AUPF) consistently on a control basis.

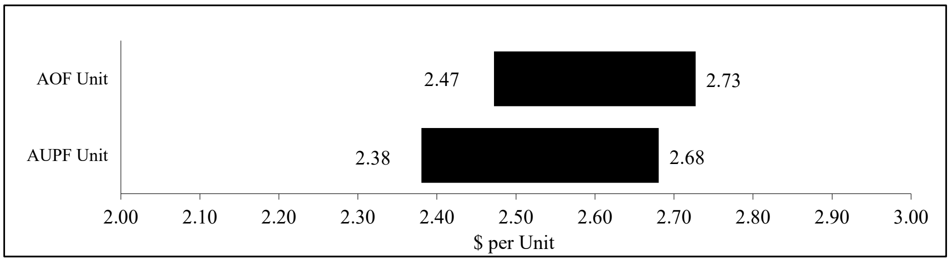
3.1.2 Approach

If the Proposal is approved and implemented, AOF Unitholders will effectively "contribute" the value of AOF Units into the Merged Group and in return "receive" AUPF Units. Our assessment of fairness compares our assessed value of an AOF Unit before the Proposal with our assessed value of an AUPF Unit following the Proposal, as discussed below.

3.1.3 Comparison of the value per AOF Unit with the value per AUPF Unit

A comparison of our assessed value per AOF Unit to our assessed value per AUPF Unit, is illustrated below.

Figure 1: Comparison of an AOF Unit value with an AUPF Unit value



Source: KPMG Corporate Finance Analysis

According to RG111, the Proposal should be considered fair if the value of an AUPF Unit "received" by AOF Unitholders is equal to or higher than the value of an AOF Unit.

There are some points of the AUPF range of value that are lower than the AOF range of value, mainly due to AOF in effect bearing the majority of the transaction costs associated with the Proposal. Notwithstanding the observed low points in the range, there is sufficient overlap of the ranges for us to conclude that on balance, **the Proposal is fair to AOF Unitholders.**

3.1.4 Valuation of an AOF Unit

We have valued an AOF Unit in the range of $2.47 to $2.73 as at 30 September 2021 (being the closest month end prior to the Implementation Date), as summarised below. Further explanation of the AOF valuation is set out in Section 9.2 of this report.

Table 1: Market value of one AOF Unit

$ million unless otherwise stated	Section reference	Value range Low	High
Property portfolio assets based on independent valuations[1]	9.2.2	622.9	654.8
Other assets / (liabilities) as at 30 June 2021	9.2.3	(194.0)	(194.0)
Net assets as at 30 June 2021		**428.9**	**460.8**
Pro-forma adjustments	9.2.4	(2.3)	(2.3)
Funds From Operations (**FFO**) from 1 July 2021 to 30 September	9.2.5	7.8	7.8
Distributions from 1 July 2021 to 30 September 2021	9.2.6	(6.2)	(6.2)
Swaps mark-to-market movements	9.2.7	0.3	0.3
Adjusted NTA		**428.4**	**460.3**
Premium/ (discount to NTA)	9.2.8	-	-
Capitalised corporate overheads (net of savings)	9.2.9	(20.0)	(10.0)
Transaction costs	9.2.10	(2.0)	(2.0)
Market value of AOF (on a going concern, control basis)		**406.4**	**448.3**
AOF Units on issue (million)[2]		164.4	164.4
Market value of one AOF Unit ($)		**$2.47**	**$2.73**

Source: KPMG Corporate Finance Analysis
Note 1: *Low end of value range reflects a portfolio value (investment properties) that is 2.5% below the independent valuations as at 30 June 2021 and the high end of value range reflects a portfolio value that is 2.5% above the independent valuation as at 30 June 2021.*
Note 2: AOF Units as at 30 September 2021.
Note 3: Amounts may not add due to rounding.

The key factors considered in our assessment of the value of an AOF Unit are set out below:

- Adjusted NTA represents the aggregate full underlying value of AOF. As it is based on estimates of the full underlying value of each property in the portfolio as assessed by independent property valuations, it is already a 'control' value

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- adopted a range of +/-2.5% around the independent property valuer's point estimate of each property as a basis for the possible range of property values as at 30 June 2021. We have been conservative with our range, while recognising that a range of possible outcomes may exist
- adjusted for profits earned and distributions paid for the period between 30 June 2021 and 30 September 2021, as AOF Unitholders (per the MID) are entitled to profits earned by AOF prior to the Implementation Date
- made minor adjustments relating to a debt funded acquisition, the mark to market valuation of interest rate swaps
- given the characteristics of the AOF portfolio and analysis of transactional evidence, we have not applied a premium/(discount) at the portfolio level
- deducted a value for the estimated level of corporate overheads that are required to support the management of the AOF portfolio
- cross checked our value range by comparing the FFO multiples and distribution yields implied by our valuation to those of comparable listed Australian Real Estate Investment Trusts (**A-REIT**).

3.1.5 Valuation of an AUPF Unit

We have valued an AUPF Unit in the range of $2.38 to $2.68 as at 30 September 2021 (being the closest month end prior to the Implementation Date). In order to derive the market value of AUPF, we have aggregated the assessed market values of AOF and DPF and have made a number of adjustments related to the Proposal, as summarised below. Further explanation of the AUPF valuation is set out in Section 10 of this report.

Table 2: Market value of one AUPF Unit

$ million unless otherwise stated	Section reference	Value range Low	Value range High
Market value of AOF on a stand-alone basis	9.2.1	406.4	448.3
Market value of DPF on a stand-alone basis	9.3.1	306.3	345.8
Combined market value of AOF and DPF, pre-Proposal		**712.7**	**794.1**
Merger adjustments			
Sale of DPF's units in AOF	10.2	(25.3)	(25.3)
Premium/ (discount) to NTA	10.3	-	-
Merger costs	10.4	(17.5)	(17.5)
Synergies	10.5	15.0	20.0
Market value of AUPF (on a going concern, control basis)		**684.9**	**771.3**
AUPF Units on issue (million)[1]		287.7	287.7
Market value of one AUPF Unit ($)		**$2.38**	**$2.68**

Source: KPMG Corporate Finance Analysis
Note 1: AUPF Units as at 30 September 2021 based on: 164.4 million AOF Units on issue as at 30 September 2021 and 123.3 million new AOF Units issued. New AOF Units of 123.3 million were calculated based on: (i) the Merger Ratio of 0.4550 AOF Units for every DPF Unit; and (ii) 292.3 million DPF Units on issue as at 30 September 2021, minus the redemption of 21.3 million DPF Units prior to the Implementation Date following the cash payment of the Capped Withdrawal Facility to DPF unitholders opting to cash out their holdings.
Note 2: Amounts may not add due to rounding

The key factors considered in our assessment of the value of an AUPF Unit are set out below:

- the value of AUPF is the combination of the standalone market values of AOF and DPF. We have valued AOF and DPF using the same methodology (described above). Full explanation of the AOF and DPF valuations are set out in Sections 9.2 and 9.3 of this report
- adjusted for the sale of DPF's holding in AOF at a sale price equal to the pro-forma NTA per AUPF Unit of $2.56 (outlined in the Explanatory Memorandum). Total AUPF Units following implementation, have been estimated assuming the completion of this disposal, redemption of certain

DPF Units under the Capped Withdrawal Facility[2] (refer to section 9.6 of the Explanatory Memorandum), and issue of AUPF Units at a Merger Ratio of 0.455

- deducted transaction costs associated with implementation of the Proposal
- included Proposal synergies, being the risk-adjusted value of capitalised cost savings relating to management fees and cost of debt funding
- given our analysis of any discount / premium to NTA applicable to AOF and DPF in the stand alone valuations, and that the value of AUPF includes a value for synergies, we have not sought to include a further portfolio premium in the valuation of AUPF
- we have cross checked our value range of AUPF to the trading price of AOF Units post announcement of the Merger Ratio of the Proposal.

3.2 Assessment of reasonableness

In accordance with RG111, an offer is reasonable if it is fair. As the Proposal is fair for AOF Unitholders, the Proposal is reasonable for AOF Unitholders. Notwithstanding this requirement, we have also considered a range of factors that AOF Unitholders may wish to consider in assessing whether to vote in favour of the Merger Resolutions.

3.2.1 AUPF offers greater diversification and scale

The merger of AOF and DPF will create a larger more diversified property portfolio, with a number of strategic benefits in line with the outcome of the strategic assessment conducted by AOF Management and announced to the market in February 2021. Relative to AOF, AUPF provides the following strategic benefits:

- enhanced footprint in office properties across major Australian markets, complemented by a diversified portfolio of property assets in convenience retail, multi-use (office or industrial), infrastructure and industrial
- exposure to resilient, non-discretionary property categories including convenience retail and industrial, with proven track record of performance during the COVID-19 pandemic, thereby improving the overall defensive characteristics of the property portfolio
- enhanced income sustainability from improved lease expiry profile, arising from a significant improvement in the portfolio WALE, from 2.4 years to 4.9 years, thereby mitigating risks arising from AOF's short term lease expiry profile and improving its ability to distribute returns to Unitholders
- enhanced diversification across an enlarged A-grade tenant base, thereby reducing risk exposure to flagship tenants and consequently reducing risk to earnings and renewals arising from any single tenancy
- diversification of revenue arising from the development pipeline across office and industrial projects of the combined property portfolio (including North Blackburn Shopping Centre and Busselton Central Shopping Centre) and the potential for further development and repositioning of opportunities from the expanded portfolio (including Valentine Avenue, Parramatta, Pirie St, Adelaide and Mersey Road, Osborne)

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[2] The proceeds from the sale of AOF Units ($24.8 million) are expected to be used to fund the cash payment of the Capped Withdrawal Facility to DPF Unitholders opting to cash out their holdings.

- enhanced capabilities of the combined management team of AOF and DPF, to continue active asset management and portfolio construction to further maximise unitholder returns.

An overview of AUPF and a comparison of AOF and AUFP is set out in Section 8 of this report and Section 9 of the Explanatory Memorandum.

3.2.2 Enhanced liquidity and improved access to capital markets

If the Proposal is approved and implemented, it may have a positive impact on the market trading of AUPF Units arising from:

- increased market capitalisation and potential index inclusion

  AUPF will hold a portfolio of diversified property assets independently valued at $1.2 billion, almost doubling the size of the current property portfolio of AOF. Based on AUPF pro-forma NTA, immediately following implementation, AUPF is estimated to have a market capitalisation of $730 million[3]. The enlarged size of AUPF may result in the stock's inclusion in the S&P/ASX 300 Index and potentially the FTSE EPRA Nareit Global Developed Index. Inclusion in an index is likely to increase liquidity and marketability of AUPF Units, providing greater access to further equity capital.

- broadened security register, with improved free float

  AUPF will have an enlarged register of Unitholders compared to AOF's current concentrated ownership base. Immediately following implementation of the Proposal, the improved free float of AUPF Units may increase liquidity of AUPF Units.

3.2.3 Expanded capital base to advance development opportunities

The enlarged size of AUPF and the underlying property portfolio improves its attractiveness to debt capital providers. This is supported by the AUPF Refinancing[4], which is expected to result in a higher debt facility capacity and on more favourable terms, compared to AOF on a standalone basis. Consequently, AUPF will be better positioned to progress and unlock value of its development opportunities.

Additionally, an enlarged capital base will allow AUPF flexibility to pursue organic and acquisition opportunities as certain sectors of the property market continue to recover from the effects of the global COVID-19 pandemic.

3.2.4 Dilutive to FFO, but accretive to distributions

Implementation of the Proposal is expected to result in FFO dilution, but accretion of distributions in FY22:

Table 3: AUPF Financial metrics

FY22 guidance ($m)	AOF[1]	AUPF[2]
Distributions per unitholder (cents)	15.2	15.5
Distribution to unitholders	25.0	35.2
FFO cents per unit (**cpu**)	18.4	18.0
FFO	30.2	40.3
Payout ratio (FFO basis)	82.6%	86.1%

Note 1: refer to Section 6.6 for further explanation
Note 2: Pro-forma AUPF guidance sourced from Explanatory Memorandum (Section 9.5 d) and assumes an implementation date of 22 December 2021

[3] Estimated market capitalisation is based on management's pro-forma calculation as published in the Explanatory Memorandum
[4] Subject to all the conditions precedent of the Proposal being satisfied or waived (as applicable) the AOF debt is intended to be refinanced to form a $600 million debt facility for AUPF (**AUPF Refinancing**).

- FY22 FFO per Unit

  Implementation of the Proposal results in an expected FY22 FFO of 18.0 cpu, slightly below AOF's FY22 FFO guidance on a standalone basis of 18.4 cpu.

  AOF Management has not provided FFO guidance beyond FY22. Nevertheless, Proposal synergies relating to the reduction in fees and lower cost of debt will be of benefit to AUPF Unitholders following implementation of the Proposal, which will be realised over time. Beyond FY22, AOF Unitholders will continue to benefit from AUPF's increased scale, diversity, defensive tenant base, lease and tenant profile, balance sheet and value-add opportunities.

- FY22 distribution per Unit

  1H22 distributions of 7.6 cpu, plus forecast 2H22 distributions of 7.9 cpu (assuming the Proposal is approved and implemented on 22 December 2021), results in a FY22 distribution of 15.5 cpu.

  Although AOF Management has not provided distribution guidance beyond FY22, in comparison to AOF on a standalone basis, AUPF is expected to have enhanced income sustainability as a result of the higher portfolio WALE following implementation. Consequently, this ensures AUPF's ability to meet investor demand for distribution returns. Refer to Section 3.2.1 for the associated discussion on enhanced income sustainability following implementation.

3.2.5 Dilutive to NTA and higher gearing

Implementation of the Proposal, is expected to result in NTA dilution and higher gearing:

Table 4: AUPF Financial metrics

Pro-forma metrics at 30 June 2021	AOF[1]	AUPF[2]
NTA per Unit	$2.69[3]	$2.56
Gearing	32.3%	38.6%

Note 1: Sourced from AOF Explanatory Memorandum
Note 2: Pro-forma metrics sourced from Explanatory Memorandum (9.5 d) and assumes settlement of 96 York Street, Beenleigh
Note 3: 30 June 2021 pro-forma NTA based on AOF's actual NTA at 30 June 2021 of $2.71 adjusted for the acquisition of 96 York Street, Beenleigh

- NTA per Unit

  AUPF pro-forma NTA per Unit of $2.56 is lower than AOF NTA per Unit of $2.69. This reduction indicates moderate dilution which reflects the costs of implementing the Proposal and the AUPF Refinancing, whereas the synergies and benefits of the Proposal will be generated over time. Refer to Section 9.5 of the Explanatory Memorandum for the calculation.

- Increase in gearing

  Following implementation of the Proposal, gearing is forecast to increase from 28.4% to 38.6%, predominately driven by the existing higher gearing of DPF and to a less extent costs associated with the AUPF Refinancing and one-off costs (including stamp duty) associated with the implementation of the Proposal.

  Although gearing increases substantially immediately following implementation, the level is within AUPF's strategy of maintaining a gearing level of below 40%. At this gearing level, AUPF is expected to meet its debt covenants. Notwithstanding this, in accordance with the announced sale of 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville, completion of these announced disposals (assuming net sale proceeds price equal to 30 June 2021 carrying value), will reduce AUPF's gearing ratio to 34.2%.

3.2.6 Investment risk profile will change

If the Proposal is implemented, AOF Unitholders will be exposed to a different risk profile arising from the enlarged, more diversified AUPF property portfolio, including:

- exposure to new asset classes (convenience retail, infrastructure retail and industrial properties). Although, these properties displayed defensive characteristics throughout the global COVID-19 pandemic, they introduce a different risk-reward profile compared to an office focused property portfolio
- higher exposure to development projects and activities, associated with DPF's existing development pipeline, as management will be required to meet construction and subsequent leasing demands following completion
- exposure to higher leverage from acquiring ownership of DPF's development pipeline, which is assumed to be mostly funded by debt.

Importantly, the change in the risk profile for AOF Unitholders arising from the implementation of the Proposal also brings with it enhanced income sustainability and the potential for value add from the successful completion of development projects. In addition, AUPF will benefit from the combined management team of both AOF and DPF, bringing together knowledge and experience from having managed the existing respective property portfolios and the existing development projects.

As such, AOF Unitholders should consider whether these changes are appropriate for their risk appetite. Further details of the risks associated with an investment in AUPF are considered in the Explanatory Memorandum.

3.2.7 Alternatives to the Proposal

Events leading up to the Proposal, the strategic review and alternative courses of action considered are discussed in Section 3 above.

3.3 Other considerations

In forming our opinion, we have also considered a number of other factors as outlined below. Whilst we do not consider these factors to impact our assessment of the reasonableness of the Proposal, we consider it appropriate that AOF Unitholders consider these factors in assessing the Proposal.

The Proposal is subject to the satisfaction of a number of conditions

The implementation of the Proposal requires the approval by the requisite majorities of both AOF and DPF Unitholders. There are also a number of other conditions which if not satisfied or waived (as applicable) will result in the Proposal not being implemented. The conditions precedent are set out in Section 12 of the Explanatory Memorandum.

One-off transaction costs

AOF Management has estimated that AUPF will incur total one-off transaction costs in relation to the Proposal of approximately $22.2 million on a pre-tax basis, of which AOF would have incurred or committed approximately $2.0 million, prior to the Meeting by AOF Unitholders.

The one-off transaction costs associated with the Proposal primarily relate to stamp duty, legal, compliance, advisor and other fees.

Taxation

The implementation of the Proposal should not have any income tax, GST or stamp duty implications for AOF Unitholders. Further information in this regard is outlined in Section 3 of the Explanatory Memorandum.

3.4 Consequences if the Proposal does not proceed

In the event that the Proposal is not approved or any conditions precedent prevent the Proposal from being implemented, AOF will continue to operate in its current form and remain listed on the ASX. As a consequence:

- AOF will continue to operate as a standalone entity and remain listed on the ASX. Transaction costs of $2.0 million will also have been incurred
- AOF Unitholders will continue to be exposed to the benefits and risks associated with an investment in AOF
- trading price of AOF will continue to be influenced by the characteristics of the AOF property portfolio, the state of the Australian property market and the broader conditions of the macroeconomic landscape.

3.5 Other matters

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

Our IER has also been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements. This IER has been prepared solely for the purpose of assisting AOF Unitholders in considering the Proposal. We do not assume any responsibility or liability to any other party as a result of reliance on this IER for any other purpose. Our opinion should not be construed to represent a recommendation as to whether or not AOF Unitholders should elect to vote in favour of the Proposal.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to the financial year to 30 June have been abbreviated to FY.

Neither the whole nor any part of this IER or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this IER in the form and context in which it appears in the Explanatory Memorandum.

Yours faithfully

Adele Thomas	Bill Allen
Authorised Representative	Authorised Representative

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4 The Proposal

4.1 Terms of the Proposal

On 4 October 2021 AOF RE announced that AOF had entered into an MID with DPF RE as responsible entity of DPF under which all the Units in DPF would be transferred to AOF RE from DPF Unitholders by way of a trust scheme of arrangement.

Under the Proposal, AOF will acquire all of the Units in DPF in consideration for the issue of AUPF Units (being new units in the renamed AOF) to DPF Unitholders at the ratio of 0.455 AUPF Unit for every one DPF Unit. Post implementation of the Proposal, existing AOF Unitholders will own approximately 54% of AUPF and DPF Unitholders will own approximately 46% of AUPF.

The Proposal is to be implemented by way of a Trust Scheme subject to judicial advice and obtaining various approvals from both AOF and DPF Unitholders, that are required to facilitate the Trust Scheme.

The issue of AUPF Units as scrip consideration to DPF Unitholders under the Trust Scheme will require AOF Unitholder approval of the Merger Resolutions, being 50% of the AOF Unitholders voting (in person or in proxy), as discussed below.

The Trust Scheme will require the approval by DPF Unitholders by way of special resolution, being 75% of those DPF Unitholders voting (in person or by proxy).

AOF Unitholder approvals under the ASX Listing Rules

ASX Listing Rule 7.1 prohibits AOF RE as responsible entity of AOF from issuing equity securities if the securities will, when aggregated with the securities issued by AOF during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12-month period.

The units that AOF propose to issue under the Trust Scheme will exceed the 15% threshold under ASX Listing Rule 7.1. Accordingly, AOF RE will seek AOF Unitholder approval in relation to the proposed issue of units in AUPF (the renamed AOF) to DPF Unitholders under the Trust Scheme.

Under ASX Listing Rule 10.11, AOF must not issue or agree to issue equity securities to any specified persons without the approval of holders of ordinary Units in AOF.

AUPL and Life Plan Australia Friendly Society Limited (**LAFS**), being wholly owned subsidiaries of Australian Unity, are existing DPF Unitholders holding approximately 13.6 million DPF Units (**DPF Holding**). While AUPL and/or LAFS may transfer the DPF Units held to other Australian Unity Group Members, Australian Unity Group will retain the DPF Holding. If the Proposal is implemented, Australian Unity Group will participate in the issue of AUPF Units in consideration for the transfer of the DPF Holding to AOF.

As an Australian Unity Group Member, Australian Unity Investment Strategic Holdings Pty Ltd (**AUISH**) is a substantial holder in AOF and a person referred to in ASX Listing Rule 10.11, having nominated a director to the board of AOF RE pursuant to its joint venture agreement with Keppel Capital Two Pte. Ltd. AUPL, LAFS and the other Australian Unity Group Members is an associate of AUISH (and therefore a person referred to in ASX Listing Rule 10.11).

Accordingly, AOF Unitholder approval is required for the purposes of ASX Listing Rule 10.11, for the issue of AUPF Units to the Australian Unity Group Members in exchange for the DPF Holding.

The above resolutions are referred to as the Merger Resolutions.

Implementation of the Proposal

If the Proposal is implemented:

- AOF will be renamed AUPF and will trade on the ASX (under the ticker AOF)
- all the Units in DPF will be transferred to AOF RE
- the assets of DPF will form part of the AUPF portfolio
- existing AOF Unitholders will continue to hold the same number of AOF Units in AUPF
- existing DPF Unitholders will receive 0.455 AUPF Units for every DPF Unit held, and
- each AUPF Unit will trade on the same terms as current AOF Units.

Subject to all the conditions precedent of the Proposal being satisfied or waived (as applicable) the AOF debt is intended to be refinanced to form a $600 million debt facility for AUPF.

Conditions of the Proposal

The Proposal remains subject to satisfaction or waiver (as applicable) of certain conditions described in the MID including:

- regulatory approvals to implement the Proposal
- no material adverse change has occurred in either AOF or DPF between the date of the MID and the effective date of the Proposal
- the Merger Resolutions are passed by the requisite majorities at the meeting of AOF Unitholder, and
- the DPF Unitholders pass the resolutions to enable the Proposal to be implemented.

In addition, the Explanatory Memorandum notes the AUPF Refinancing as a condition of the Proposal. Furthermore, one of the conditions of the MID is that the AOF Independent Expert's Report concludes that the Proposal is in the best interests of AOF Unitholders.

5 Scope of the report

5.1 Purpose

This report is to be included in the Explanatory Memorandum to be sent to AOF Unitholders. It has been prepared for the purpose of assisting AOF Unitholders in their consideration of the Merger Resolutions, although there is no legal requirement for an IER to be prepared in this regard.

5.2 Basis of assessment

RG111, issued by ASIC, provides the principles and matters which it expects a person preparing an independent expert report to consider. It includes guidance in relation to control transactions and mergers of equals.

Control transactions via scheme of arrangement

RG111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is "fair and reasonable" and, as such, incorporates issues as to value. In particular:

- fair and reasonable is not regarded as a compound phrase

- an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- an offer is reasonable if it is fair
- an offer might also be reasonable if, despite being not fair, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.20 states that if an expert would conclude that a proposal was fair and reasonable if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company.

Under RG111, fairness in a control transaction is to be assessed by comparing the value of the consideration offered with the full underlying value of the target assuming 100% of the target was available to be acquired. Where the consideration comprises scrip in the acquirer, the value of the consideration is to be assessed as the expected trading price of those securities (i.e. on a minority or portfolio interest basis) post completion of the transaction.

Merger of equals

RG111 also requires assessment of fairness depending on the particular circumstances of the transaction. In this regard, RG111.31 states that, "the expert may need to assess whether a scrip takeover is in effect a merger of entities of equivalent value when control of the merged entity will be shared equally between the 'bidder' and the 'target'. In this case, the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'".

We consider the Proposal is in substance a "merger of equals" rather than a control transaction based on the following factors:

- **the Merger Ratio**: the Merger Ratio has been negotiated with reference to NTA, underpinned by independent property valuations. Post implementation of the Proposal, existing AOF Unitholders will own approximately 54% of AUPF and DPF Unitholders will own approximately 46% of AUPF
- **similarity and size of business**: both AOF and DPF own a portfolio of properties of similar size and scale
- **control**: no Unitholder will be in a position of control or have significant influence over AUPF. In this regard, on implementation of the Proposal no Unitholder (or associated group) is expected to hold more than 12.0% of AUPF
- **board and management representation**: whilst the responsible entity of AUPF will be AOF RE, the current property manager of AOF and DPF (Australian Unity) will be the property manager of AUPF going forward.

5.3 Approach

Following the relevant guidance in RG111 with respect to mergers of equals, we have considered the following:

- fairness assessment: by comparing our assessed value per AOF Unit before the Proposal to our assessed value per AUPF Unit following the Proposal. This analysis has been undertaken on a control basis, which we consider is consistent with RG111 guidance on the equivalent treatment in a "merger of equals"
- reasonableness assessment, taking into consideration:
  - the rationale of the Proposal
  - financial implications of the Proposal
  - impact on earnings, distributions and gearing
  - advantages and disadvantages of the Proposal to AOF unitholders.
- other alternatives considered
- consequences if the Proposal does not proceed.

5.4 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of AOF or DPF for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with AOF management in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

AOF has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of AOF. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, AOF remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

5.5 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. AOF management has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to AOF. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by AOF.

6 Profile of Australian Unity Office Fund

6.1 Company overview

6.1.1 Overview

AOF is an ASX listed A-REIT that wholly owns a portfolio of eight office properties located across five Australian state capital cities. AOF's property portfolio was valued at $638.9 million covering a total net lettable area of 98,067 square metres (**m²**) as at 30 June 2021. On 17 September 2021, the last trading day prior to the announcement of the Proposal, AOF had a market capitalisation of approximately $409.3 million and closed at a share price per unit of $2.49, which represented a discount of 8.1% to its 30 June 2021 NTA per unit of $2.71.

AOF's refined strategy is to invest in a diversified portfolio of Australian office properties across varying geographies, tenants and lease profiles. AOF aims to provide quarterly distributions to Unitholders of between 80% to 100% of FFO, achieved through growing net property income and enhancement of capital values through active management.

Key events in the history of AOF are discussed below:

- originally being established by Investa Property Group in March 2005 with full or partial ownership in three office buildings and two unlisted trusts
- Australian Unity acquired management rights to AOF in 2011
- AOF had its Initial Public Offering (**IPO**) at $2.00 per unit in June 2016.

More recent corporate activities are summarised below.

6.1.2 Operating structure

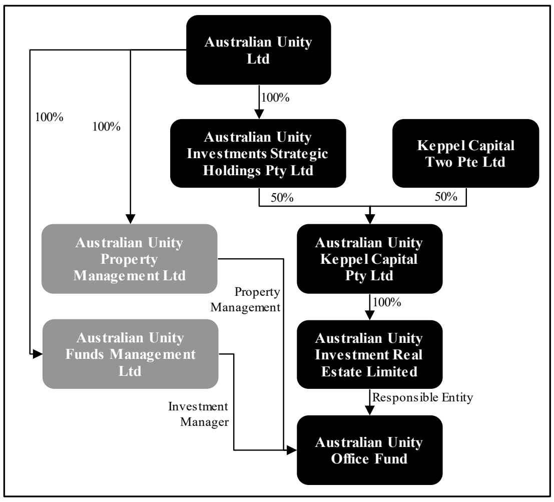
AOF RE is the responsible entity of AOF and is a subsidiary of Australian Unity Keppel Capital Pty Ltd, a joint venture equally owned by Australian Unity and Keppel Capital Holdings Pte Ltd, the asset management arm of Singapore based Keppel Corporation Limited. Australian Unity entered into the joint venture with Keppel Capital Holdings, in February 2020, having previously been the sole parent of AOF RE.

Australian Unity Funds Management Limited (**AUFML**) is the appointed investment manager and provides investment management, fund analyst, transactional and accounting services. Australian Unity Property Management Pty Ltd (**AUPM**) provides property related services comprising property management, financial management and leasing services as well as rent review and project supervision services.

The controlled entities of AOF include:

- Australian Unity Holding Trust
- Australian Unity Fourth Commercial Trust
- Australian Unity Sixth Commercial Trust
- Australian Unity Second Industrial Trust
- Australian Unity Fifth Commercial Trust
- Pirie Street Trust.

Figure 2: AOF Organisational Chart



Source: Management

6.1.3 Recent takeover activity, COVID-19 & strategic review

AOF has been the subject of multiple takeover attempts since 2018, from Starwood and CHAB as detailed in Section 3.

A strategic assessment was announced in February 2021 following the failed third party takeover attempts and the negative impacts of the global COVID-19 pandemic on the property market. The outcomes of the assessment, announced on 7 July 2021, focused on three possible scenarios: growing and enhancing the portfolio, maintaining the portfolio or divesting the portfolio with a capital return to unitholders. The Board decided that growing and enhancing the portfolio would achieve the strategic priorities of AOF more so than the other two options. Maintaining the current portfolio posed liquidity and lease expiry risks and divesting the entire portfolio posed significant risks regarding proceeds and potentially realising capital gains on the portfolio of between $241 million and $341 million.

Additional objectives to come out of the review included a strategy to complement the current office focused portfolio with a targeted and diversified portfolio of Australian real estate assets and the targeting of index inclusion. As a result, a possible merger with DPF was announced in July 2021 and was then progressed to implementation of an MID.

6.1.4 Investment policy

AOF's investment strategy focuses on owning Australian office properties in metropolitan and CBD markets, complemented by a targeted and diversified portfolio of Australian real estate assets. Specific policies include managing tenancy risk, targeting medium to long term WALE (or high probability of renewal of leases), gearing below 40% and management of interest rate risk through use of derivative financial instruments.

6.1.5 Fee structure

AOF pays monthly management fees to the responsible entity (AOF RE) who subsequently pays 95% of its responsible entity fee to the investment manager (AUFML) as summarised below:

Table 5: Summary of AOF's fee structure

Fee/Cost	Entitlement
Base management fee	0.60% p.a. of the gross asset value (**GAV**) of AOF up to and including $750 million, plus, 0.55% p.a. of the GAV of AOF that exceeds $750 million (excluding GST)
Recoverable expenses	Fund manager is entitled to recover fees incurred in the day to day running of the AOF
Performance fee	n/a
Accounting services fee	AUFML is entitled to fees of $140,000 p.a. (adjusted upwards by CPI annually from June 2016) for providing accounting services
Property management fee	Fees to AUPM for services comprising property management, financial management, leasing services, rent review, and project supervision

*Source: AOF Product Disclosure Statement (**PDS**) 2016*

6.1.6 Board of Directors and senior management

Board of Directors

Members of the Board of Directors of AOF RE are outlined below:

Table 6: AOF RE Board of Directors

Name	Position
(William) Peter Day	Independent Non-executive Director and Chairman
Don Marples	Independent Non-executive Director and Chairman of the Audit & Risk Committee
Eve Crestani	Independent Non-executive Director
Erle Spratt	Non-Executive Director (Australian Head of Keppel Capital)
Greg Willcock	Non-Executive Director (Director of Australian Unity)

Source: FY21 Directors Report & Australian Unity Office Fund website

Senior management

Senior management of AOF is set out below:

Table 7: Management team of AOF

Name	Position
Nikki Panagopoulos[1]	Fund Manager
Simon Beake	Deputy Fund Manager
Giovanna Reale	Senior Asset Manager
Michael Carabetta	Senior Asset Manager
Peter Hugh	Senior Development Manager
Tim Kemp Bishop	Major Leasing and Capital Transactions Manager

Source: AOF Announcement & Australian Unity Office Fund website

Note 1: Nikki Panagopoulos, the prior fund manager of DPF, was appointed to the role of Fund Manager for AOF on 7 July 2021

6.2 Investment property portfolio[5]

At 30 June 2021, AOF held a portfolio of eight properties located across five Australian capital cities with a total carrying value of $638.9 million. Four of AOF's properties are located in Sydney and one property in each of Melbourne, Brisbane, Adelaide and Canberra. The portfolio is concentrated in office real estate however some properties have multi-use space that is not office related. For example, both 2 and 5 Eden Park Drive at Macquarie Park contain warehouse facilities. The composition of AOF's investment property portfolio as at 30 June 2021 by asset type and location (weighted by carrying value) is illustrated below.

Figure 3: Value weighted location of Assets

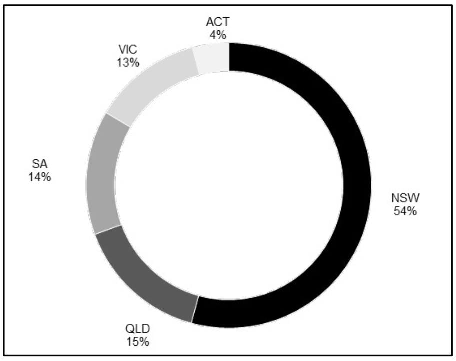
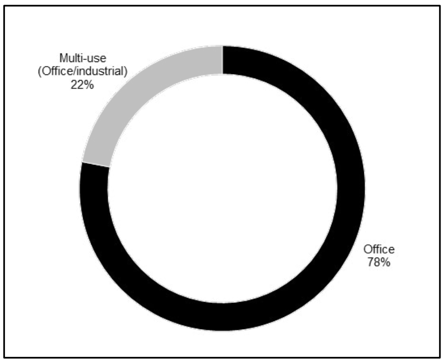


Figure 4: Value weighted type of real estate asset



Source: ASX Announcements, AOF 30 June 2021 Property Portfolio

[5] Composition of Investment Property Portfolio presented as at 30 June 2021. Includes 32 Phillip Street, Parramatta, NSW, and excludes 96 York Street, Beenleigh, QLD, which is expected to settle post the implementation of the Proposal

AOF's portfolio listing at 30 June 2021 is summarised below:

Table 8: AOF portfolio listing as at 30 June 2021

Property	Type	Jun-21 BV ($'000)	Cap rate (%)	Percent of total (%)	Valuation date	Valuation ($'000)	NLA[4] (m²)	Development /Repositioning opportunity
2-10 Valentine Ave, Parramatta, NSW[1]	Office	147,800	5.50%	23.1%	30/06/2021	147,800	16,020	Yes
32 Phillip Street, Parramatta, NSW	Office	62,750	5.38%	9.8%	30/06/2021	62,750	6,759	Possible Divestment
5 Eden Park Drive, Macquarie Park, NSW	Office	73,500	5.50%	11.5%	30/06/2021	73,500	11,556	Possible
2 Eden Park Drive, Macquarie Park, NSW	Office	62,500	5.50%	9.8%	30/06/2021	62,500	10,346	Possible
150 Charlotte Street, Brisbane, QLD	Office	97,000	6.00%	15.2%	30/06/2021	97,000	11,081	Possible
30 Pirie Street, Adelaide, SA	Office	90,000	7.25%	14.1%	30/06/2021	90,000	24,665	Possible
468 St Kilda Road, Melbourne, VIC	Office	79,000	5.25%	12.4%	30/06/2021	79,000	11,211	Possible
64 Northbourne Ave, Canberra, ACT	Office	26,300	7.00%	4.1%	30/06/2021	26,300	6,429	Possible
Total[2]		**638,850**	5.84%	**100.0%**		**638,850**	**98,067**	

Note 1: 2-10 Valentine Avenue are both on a single title

Note 2: Cap rate for 10 Valentine Avenue. Development site at 2 Valentine Avenue has a 5.0% Cap rate

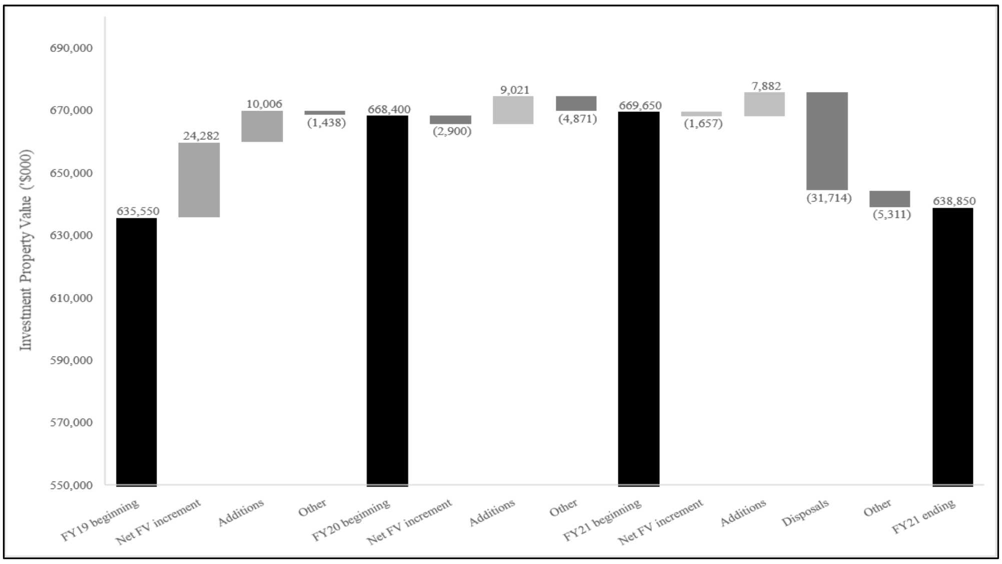
Note 3: Table excludes 96 York Street Beenleigh as the property is expected to settle in post implementation of the Proposal

Note 4: NLA refers to Net Lettable Area

Source: AOF 30 June 2021 Property Portfolio, Management

The carrying value of the investment properties may vary from the independent valuation of property due to acquisition costs, capital expenditure and the accounting treatment of leasing commissions and lease incentives.

Figure 5: Movement in direct property holdings ($'000)



Note 1: Other refers to lease commissions, incentives amortisation, borrowing costs and straight-lining of rental income
Source: AOF FY19-FY20 Annual Reports

From FY19 to FY21, the value of direct properties has held relatively steady as the FY19 increase in property value has been offset by the FY21 disposal of 241 Adelaide Street, Brisbane. The onset of COVID-19 in 2020 and into 2021 has seen AOF recognise a small decrease in the fair value of properties. Additions have totalled $26.9 million over the period from FY19 to FY21 representing capital improvements, incentives and capitalised leasing costs. In July 2021, AOF purchased a property at 96 York Street, Beenleigh, which is not reflected in the above as settlement is not expected until January 2022 (discussed below).

Acquisition of 96 York Street, Beenleigh

In July 2021 AOF contracted to purchase an A-Grade office building at 96 York Street, Beenleigh for consideration of $33.52 million (excluding acquisition costs) which implies a capitalisation rate of 5.75%. The total NLA is 4,661m^2 over seven levels of commercial space. The property has an active lease, for approximately 86% of the property, with the Logan City Council for a period of 10-years, with two 5-year options. The remaining 174m^2 of ground level retail space and 478m^2 of office space is covered by a two-year rental guarantee. Settlement is expected in January 2022. Capital for the acquisition was derived from the sale of 241 Adelaide Street, Brisbane in June 2021.

Divestment of 32 Phillip Street, Parramatta

AOF is exploring the possible divestment of 32 Phillip Street, Parramatta, which was valued at $62.75 million at 30 June 2021 with expected timing likely to be after 31 December 2021. The underlying strategy in the divestment is to take advantage of supportive market conditions. GE Capital Finance is the major tenant in the building with a lease expiring in 2023.

6.2.1 Portfolio statistics

A summary of direct investment property portfolio from FY19 to FY21 is summarised below.

Table 9: AOF portfolio summary

as at	30-Jun-19	30-Jun-20	30-Jun-21
Weighted average capitalisation rate (by book value)	6.21%	6.09%	5.84%
Occupancy (% of NLA)	95.3%	93.7%	95.7%
Weighted average lease expiry (years)	3.5	2.9	2.4
Number of investments[1]	9	9	8

Note 1: Excluding properties sold during that financial year

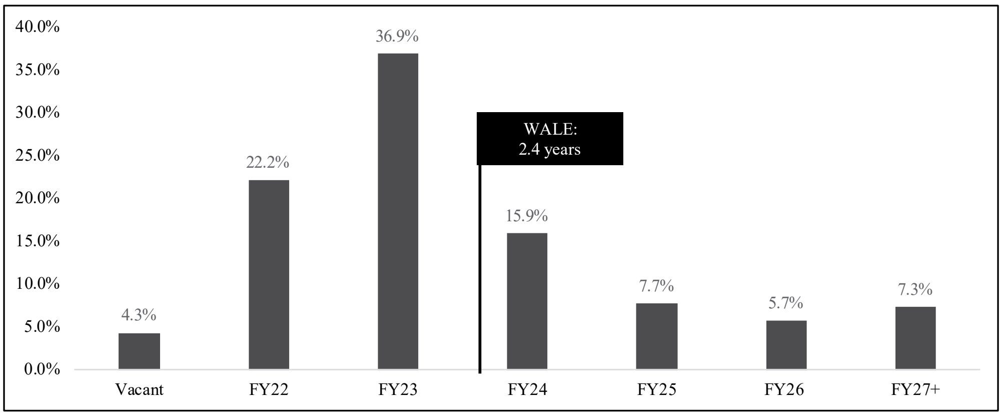
Source: AOF Annual reports, AOF Property Portfolio

Since 30 June 2019, AOF's weighted average capitalisation rate (by book value) has decreased, primarily driven by reductions in the capitalisation rate of the Macquarie Park properties and the disposal of 241 Adelaide Street, Brisbane. Occupancy rates have remained steady, above 90%, which AOF credit to the location of the properties. WALE has decreased year on year as AOF manages the renewal of leases during Government mandated COVID-19 restrictions. As such, tenants taking time to review lease requirements in the wake of COVID-19 lockdowns in New South Wales and Victoria have contributed to the decline in WALE.

6.2.2 Lease portfolio

The lease expiry profile for AOF's properties, by net lettable area, is illustrated below.

Figure 6: AOF lease expiry profile as at 30 June 2021 (by net lettable area)[6]



Note 1: numbers may not add due to rounding

Source: AOF FY21 Annual Report, 30 June 2021 Property book

AOF's stated strategy is to have a balanced lease expiry profile. AOF has a WALE of 2.4 years as at 30 June 2021, which has declined since FY19 (WALE of 3.4 years).

The major tenant at 10 Valentine Avenue, Parramatta, has a lease expiring in June 2022 and has not exercised its 5-year option for renewal. AOF continues to liaise with various parties in order to secure a lease renewal or new lease to fill the upcoming vacancy.

AOF's largest tenant Telstra, has informed AOF that it will be downsizing its occupancy requirements from 22,700m^2. Telstra has a request for proposal in the market for a space of between 4,500m^2 and 7,500m^2. AOF management is engaging with Telstra regarding its future requirements. The downsizing has been reflected in the latest property valuation, with 30 Pirie Street, Adelaide recognising a decline in value related to increases in

[6] Excludes the newly purchased, but as yet unsettled, 96 York Street, Beenleigh property, which has a 10-year lease with the City of Logan.

future letting up and capital expenditure allowances. Telstra subleases five of its 21-floor occupancy and has been a tenant of the building since 1987.

6.2.3 Tenants

AOF has eight properties with 83 tenants as at 30 June 2021. The top five tenants, ranked by total gross income, are illustrated below.

Table 10: Top five tenants by gross property income

Top Five Tenants	%
Telstra	26.0%
NSW State Government	15.2%
Boeing Defence Australia	14.7%
GE Capital Finance	8.3%
Commonwealth of Australia	5.7%
Total	**69.8%**

Note: Numbers may not add due to rounding
Source: AOF Fund update - 30 June 2021

The current tenants of AOF properties are investment grade and high-quality comprising Australian corporates, multinationals that have large businesses in Australia or government entities. Approximately 70% of income is derived from the top five tenants.

6.2.4 Valuation policy

Key points of the valuation policy are outlined below:

- valuations are obtained
  - each year, and within an 18-month period for assets under development
  - within two months after the directors form a view that there is a likelihood that there has been a material change in the value of property
  - before a property is purchased.
- where there are multiple properties in a portfolio, the valuations are to be staggered through the year
- where a property has been contracted for sale, the contracted sale price may be adopted instead of the last independent external valuation.

The properties of AOF are held at fair value, subject to regular independent valuations. Where an independent valuation provides a higher value than the current book value, the investment may be marked up and the corresponding amount of revenue recorded. To maintain independence of valuations, a two year rotation policy applies to the valuer of a property.

6.2.5 Development opportunities

2 Valentine Avenue, Parramatta

Adjacent to 10 Valentine Avenue is a site which has development approval for an A-grade office tower, with a proposed net lettable area of approximately 28,000 m^2 over 24 office levels and two outdoor terraces. AOF RE received approval from the Sydney Central Planning Panel that the development application had been approved in April 2020. Upon approval, AOF RE sought an independent valuation of the joint 2-10 Valentine Avenue property at 31 March 2020, which resulted in an increase of $16.3 million over the 31 December 2019 valuation. A development approval application has been lodged to join numbers 2 and 10 Valentine Avenue together via an integrated lobby and podium entry. The unique opportunity to create a 'campus' style office space, is seen as a key component of the development opportunity. The site aims to capitalise on the nearby 'Metro West' and 'Parramatta Light Rail' infrastructure projects. As at 30 June 2021 development costs were estimated to be in excess of $200 million and an active marketing and leasing campaign is underway. Commencement of development is subject to pre-commitment of tenants for part or all of the building as well as a major works contract with a builder.

Other opportunities

AOF is currently exploring:

- a repositioning and refurbishment strategy at 30 Pirie Street, Adelaide, in conjunction with leasing negotiations with major tenant Telstra. The refurbishment will comprise a forecourt and ground floor lobby as well as hub style meeting rooms and floor designs to maximise occupancy and experience
- a potential redevelopment at 2 Eden Park Drive, Macquarie Park. The redevelopment would follow updated Macquarie Park planning regulations
- the opportunity for ground floor amenity enhancements and base building lift upgrades at 150 Charlotte Street, Brisbane.

6.3 Historical financial performance

The financial performance of AOF for FY19, FY20 and FY21 is summarised in the following table.

Table 11: Historical consolidated financial performance

Period $'000 unless otherwise stated	FY19 Audited	FY20 Audited	FY21 Audited
Rental income[1]	58,896	57,560	55,235
Property expenses[1]	(19,542)	(22,165)	(20,736)
Net property income	**39,354**	**35,395**	**34,499**
Responsible Entity's fees	(3,907)	(4,164)	(4,110)
Other expenses	(1,232)	(4,231)	(1,468)
Earnings before interest and tax (EBIT)	**34,215**	**27,000**	**28,921**
Interest income	28	3	1
Borrowing costs	(7,850)	(7,781)	(6,643)
Realised gains/(losses) on disposal of investment property	-	-	(501)
Net gains/(losses) on financial instruments held at FVTPL	(5,847)	(3,077)	3,136
Net fair value gains/(losses) of investment properties	24,282	(2,900)	(1,657)
Net profit attributable to AOF Unitholders	**44,828**	**13,245**	**23,257**
Adjusted for:			
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	1,562	5,049	5,944
Net (gains)/losses on financial instruments held at FVTPL	5,847	3,077	(3,136)
Realised (gains)/losses on disposal of investment property	-	-	501
Net fair value (increment)/decrement of investment properties	(24,282)	2,900	1,657
Amortisation of borrowing costs	291	439	267
One off adjustments	218	2,922	-
Addback of rental abatement incentives	1,649	1,953	2,115
FFO	**30,113**	**29,585**	**30,605**

Metrics			
Closing units on issue ('000s)	*162,832*	*162,832*	*164,383*
Distribution to unitholders	*25,727*	*24,424*	*24,565*
Payout ratio (FFO basis)[2]	*85.4%*	*82.4%*	*80.3%*
Cash distributions per unit (cents)	*15.8*	*15.0*	*15.0*
FFO per unit (cents)	*18.5*	*18.2*	*18.7*
Net Property income growth	*12.0%*	*-10.1%*	*-2.5%*

Note 1: The straight-lining of rental income and the amortisation of rental abatements are recorded as a reduction of rental income. Amortisation of leasing commissions and tenant incentives are recorded in property expenses

Note 2: Payout ratio (FFO basis) has been calculated as distributions to Unitholders divided by FFO

Source: KPMG Corporate Finance Analysis, AOF FY18-FY21 Annual Reports

We note the following regarding the historical financial performance:

- Net property income shows an overall declining trend over the three-year period from FY19. In FY21 property income was $34.5 million, or 2.5% lower than FY20. Excluding non-cash items, net property income was flat during the year. AOF granted $347,000 of rent waivers in FY21 relating to the Mandatory Code of Conduct provisions of the Government's COVID-19 economic policy response. The code established a set of good faith leasing principles for application to commercial tenancies underpinned by the common interest in working together to ensure business continuity. AOF provided approximately $0.6 million in rental waivers over FY20 and FY21. Property expenses decreased due to reduced recoverable outgoings, lower bad debt expenses and lower amortisation of lease commissions and lease incentives.
- Other expenses amounted $1.5 million in FY21 which was lower than the prior financial year which included costs of approximately $2.9 million relating to the CHAB and Starwood transactions.
- The sale of 241 Adelaide Street, Brisbane for $31.5 million (excluding selling costs) resulted in a loss on disposal of $0.5 million in FY21.
- AOF earned a net gain on financial instruments held at fair value through profit and loss (**FVTPL**) in FY21 of $3.1 million compared to a loss of $3.1 million in FY20. The difference was primarily due to movements in the mark to market value of interest rate swaps, including the impact of swap restructuring.
- AOF recognised a net fair value increase of $24.3 million in FY19 as the carrying values on all properties increased in value, except 150 Charlotte Street, Brisbane. In FY20, AOF recognised a $2.9 million decrement to the fair value of investment properties as the impacts of COVID-19 saw valuers soften key metrics such as growth rates and projected downtimes, which negatively impacted valuation outcomes. FY21 saw a smaller decrement of $1.7 million to the fair value of investment properties in part due to a portfolio value increase of $5.95 million and the disposal of the 241 Adelaide Street, Brisbane on 24 June 2021.
- Responsible entity fees for FY21 remained in line with FY20 fees given consistency of the portfolio.
- Borrowing costs have decreased to $6.6 million (14.6%) in FY21 due to the blending and extending of interest rate swaps during FY20, which resulted in lower borrowing costs in FY21.
- Profit in the current year of $23.3 million is 75.6% higher than the prior year of $12.2 million. This was primarily due to lower borrowing costs, lower transaction related cost expenses, improved valuations on the property portfolio and a gain on the mark-to-market valuation of interest rate swaps despite challenging rental markets.
- The FY20 distribution totalled 15.0 cpu comprising a delayed distribution of 4 cpu in November 2019, 4 cpu in December 2019 and March 2020 and 3 cpu in June 2020. All quarterly distributions in FY21 amounted to 3.75 cpu (totalling 15 cpu for FY21).
- In FY21, AOF declared $24.6 million in distributions to unitholders representing an 80.3% payout ratio on an FFO basis. This is in line with the distribution policy of the AOF which aims to pay out between 80% to

100% of distributions based on FFO. Distributions on an FFO basis reduced from 85.4% in FY19 to 80.3% in FY21, indicative of the earnings pressure on the business over this period.

6.3.1 Distribution profile

AOF pays distributions quarterly and the fund's distribution profile is shown in the figure below

Table 12: AOF distribution yield ($'000)

AOF distribution yield	FY19	FY20	FY21
Total Distribution to Unitholders	25,727	24,424	24,565
Average Net Asset Value (NAV)[1]	444,459	448,420	443,831
Distribution yield	**5.8%**	**5.4%**	**5.5%**

Note 1: Distribution yield has been calculated as the total distribution to Unitholders divided by Average Net Asset Value attributable to Unitholders. Please refer to Section 6.4 for NAV figures

Source: AOF FY19-FY21 Annual Reports

AOF temporarily suspended its distribution for the September 2019 quarter due to the CHAB acquisition process, which was replaced with a delayed distribution in November 2019.

6.4 Historical financial position

AOF's historical consolidated financial position as at 30 June 2019, 30 June 2020 and 30 June 2021 is set out below.

Table 13: Historical consolidated financial position

As at $'000 unless otherwise stated	REF	30/6/19 Audited	30/6/20 Audited	30/6/21 Audited
Cash and cash equivalents	6.4.1	7,481	5,798	8,935
Receivables	6.4.2	1,117	1,818	592
Other assets	-	458	784	999
Investment properties	6.4.3	668,400	669,650	638,850
Total assets		**677,456**	**678,050**	**649,376**
Distributions payable	6.4.4	6,432	4,885	6,164
Payables	6.4.5	6,932	6,225	7,232
Financial liabilities held at FVTPL	6.4.6	6,143	9,221	991
Borrowings	6.4.7	203,940	214,889	190,157
Total liabilities		**223,447**	**235,220**	**204,544**
Net assets attributable to unit holders - Equity		**454,009**	**442,830**	**444,832**
Metrics				
Closing number of units on issue ('000s)		162,832	162,832	164,383
NTA per unit ($)[1]		2.79	2.72	2.71
Gearing[2]		29.3%	31.1%	28.4%
Implied return on net assets[3]		10.1%	3.0%	5.2%

Note 1: NTA per unit is calculated as the published mid unit price of DPF Units
Note 2: Gearing is calculated as interest bearing liabilities, excluding unamortised borrowing costs, less cash, divided by total tangible assets less cash
Note 3: Implied return on net assets has been calculated as net income attributable to Unitholders divided by the average between opening and closing net assets attributable to Unitholders
Source: AOF FY19-FY21 Annual Reports

6.4.1 Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less.

Cash and cash equivalents at FY21 were $8.9 million which was 54.1% higher than FY20 of $5.8 million, reflecting higher net cash flows from operating activities.

6.4.2 Receivables

Receivables relate to amounts owed to AOF which may include amounts for interest, rental income in arrears, trust distribution and securities sold where settlement has not yet occurred. It also includes Reduced Input Tax Credits (**RITC**) and application monies receivable from Unitholders.

Receivables as at 30 June 2021 are $0.6 million which is 67.4% less than the prior year due to a reduction in trade receivables.

6.4.3 Investment properties

Investment Properties refer to the properties held on balance sheet for AOF (which are discussed in Section 6.2).

In FY21, Investment properties decreased by 4.6% to $638.9 million, mainly attributable to the sale of 241 Adelaide Street, Brisbane for a consideration of $31.5 million. The other eight properties in the portfolio were revalued in the aggregate upwards by approximately $6.0 million in FY21. In this regard:

- the valuation of 2-10 Valentine Avenue, Parramatta increased by approximately $13.3 million (from December 2020 value) due to the inclusion of the development value for the first time
- the valuation of both Macquarie Park properties (2 Eden Park Drive and 5 Eden Park Drive) increased (approximately $20.0 million) due to strong leasing outcomes and a reduction in capitalisation rates
- valuation uplifts were partially offset by a decrease in the value of 30 Pirie Street, Adelaide which allowed for downsizing of Telstra and associated future capital expenditure allowances.

In FY20 a revaluation decrement and lease commissions were offset by additions, resulting in an approximate $1.25 million increase in the carrying value of investment properties.

6.4.4 Distributions payable

Distributions payable refer to distributions that have been declared/announced but not yet paid to AOF Unitholders. Distributions payable increased by 26.2% to $6.2 million in FY21, from $4.9 million in FY20, reflecting changes in timing and quantum of quarterly distributions despite both FY21 and FY20 paying out 15 cpu total for the financial year. The difference in timing and quantum of distribution was driven by the reduction in FY20 distribution guidance in April 2020, from 16 cpu to 15 cpu, in response to COVID-19 related uncertainty. As such, the June 2020 distribution was reduced to 3 cpu (from 4 cpu).

6.4.5 Financial liabilities held at FVTPL

AOF's property investments are classified as held at fair value through profit and loss. Financial liabilities held at FVTPL comprise interest rate swaps with financial assets and liabilities offset, and the net amount is reported. In the case of AOF, interest rate swaps were used as offsetting instruments.

The balance of financial assets held at FVTPL decreased by 89.3% from $9.2 million to $0.9 million which was due to the restructuring of underlying interest rate swaps. Overall, the fair value of the liabilities fell significantly while AOF incurred $5.1 million in break costs. The interest rate swaps are an interest rate risk management tool which exchange floating interest rate payments for fixed interest rates.

6.4.6 Payables

Payables represent liabilities and accrued expenses owed by AOF which are unpaid as at the end of the reporting period. These payables, which are generally settled on 30-90 day terms and are unsecured, are carried at amortised cost.

In FY21, payables increased 16.2% to $7.2 million from $6.2 million. The primary driver for the increase was an increase in accrued expenses from $0.6 million to $1.6 million.

6.4.7 Borrowings

Borrowings relate to a bank loan facility which comprise of three tranches of varying capacity and expiry dates as summarised below.

Table 14: Key terms of the bank loan facility

in thousands ($'000) unless otherwise stated	Total Facility	Amount Drawn	Available Facility	Maturity
Bank loan - Tranche A	$70,000			19-Oct-22
Bank loan - Tranche B	$80,000			29-Jun-23
Bank loan - Tranche C	$100,000			31-Mar-25
Total borrowings	**$250,000**	**$190,800**	**$59,200**	
less: capitalised borrowing costs		(643)		
Balance sheet debt		**$190,157**		

Source: AOF FY21 Annual Report

At 30 June 2021 $190.8 million of the facility was drawn with $33.5 million of the remaining capacity allocated to the purchase of 96 York Street, Beenleigh in QLD. At 30 June 2021, AOF was in compliance with its financial covenants.

6.5 Unit holdings

At the date of the Explanatory Memorandum, AOF had 164,383,437 units on issue. The top 5 registered Unitholders accounted for 54.5% of AOF's Units on issue.

Table 15: AOF's substantial Unitholders

Unitholder	Number of units held ('000)	Percentage of issued units (%)
Hume Partners Pty Ltd	32,831,199	19.97%
Australian Unity[1]	24,237,925	14.74%
Maso Capital and affiliates	14,830,000	9.02%
Valtellina Properties Pty Ltd	9,976,564	6.07%
Mr Salvatore J Tarascio	8,379,244	5.10%
Total units held by top five Unitholders	**90,254,932**	**54.91%**
Other unitholders[2]	74,128,505	45.09%
Total units on issue	**164,383,437**	**100.00%**

Note 1: Includes Lifeplan Funds Management and other Australian Unity group entities (including DPF's 9.7 million units)
Note 2: at 30 June 2021, AOF RE Chairman held 58,000 units
Source: Management

KPMG

Australian Unity Office Fund
Independent Expert's Report
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Applications and redemptions

From FY19-FY21 no new units were issued in the fund. As part of a Distribution Reinvestment Plan (**DRP**), a total of 1.551 million units were provided to eligible Unitholders who partook in the DRP in FY21, prior to the plan being suspended in March 2021. This increased the total units from 162.8 million to 164.4 million as at 30 June 2021. As at the date of this IER, the Distribution Reinvestment Plan is not active.

6.6 Outlook

AOF's FY22 guidance forecasts FFO of 18.4 cpu which is within the range of 18.0 to 18.5 cpu announced in the FY21 results announcement. It further forecasts distributions of 15.2 cpu.

The table below shows reported FFO from FY21and 30 September 2021 (**YTD22**) as well as FY22 guidance.

Table 16: AOF distribution profile

Period ($m)	FY21 Audited	YTD22 Management	FY22 Guidance
Closing units on issue	164,383	164,383	164,383[1]
Cash distributions per unitholder (cents)	15.0	3.8	15.2
Distribution to unitholders	24.6	6.2	25.0[2]
FFO cpu	18.7	4.7	18.4
FFO	30.6	7.8	30.2
Payout ratio (FFO basis)	80.3%	80.2%	82.6%

Note 1: Assumes no new units issued in FY22
Note 2: Implied by multiplying closing units by cash distribution per unitholder
Source, Management, Explanatory Memorandum, KPMG Corporate Finance Analysis

The FY22 cash distribution guidance of 15.2 cpu, is slightly higher than FY21 (and FY20) distributions of 15.0 cpu which were affected by COVID-19. Similarly, the FY22 payout ratio of 82.6% is higher than FY21.

1Q22 distribution was declared at 3.8 cpu, at an FFO payout ratio of 80.2%.

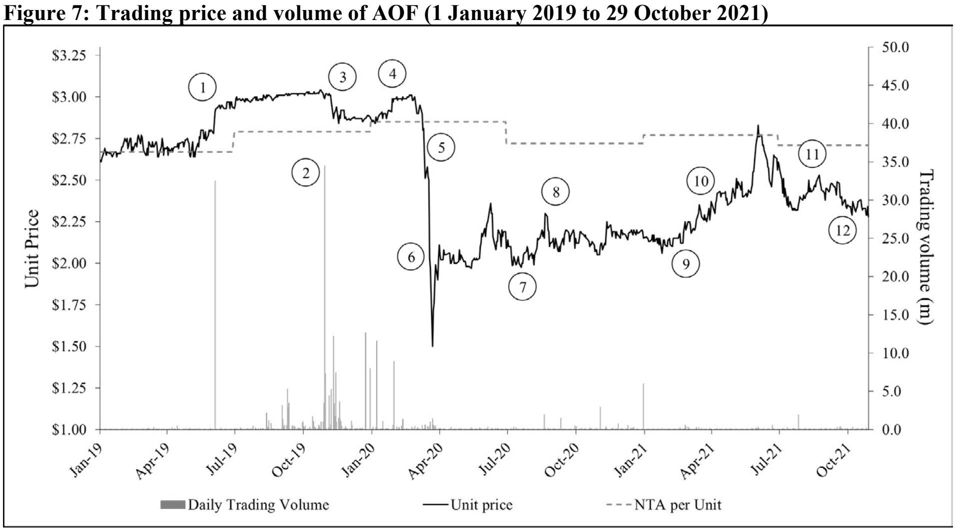
The FY22 guidance assumes AOF continues to drive its active management strategy and improves occupancy levels, rents and capital values of the portfolio. Further, the guidance assumes settlement of the 96 York Street, Beenleigh and divestment of the 32 Phillip Street, Parramatta. A similar level of rent relief provided to tenants in FY21 has been assumed in the FY22 forecast.

6.7 AOF security price performance

6.7.1 Recent trading in AOF Units

The chart below illustrates AOF's daily closing unit price along with the daily volume of units traded on the ASX over the period from 1 January 2019 to 17 September 2021, one day prior to the announcement date of the proposed Merger Ratio (20 September 2021) and for the period subsequent to that date to 29 October 2021.

Figure 7: Trading price and volume of AOF (1 January 2019 to 29 October 2021)



Source: ASX announcements, Capital IQ, KPMG Corporate Finance Analysis

Prior to announcement of the Proposal (from 1 January 2019 to 17 September 2021)

The AOF unit price generally trended flat and in line with its NTA per unit from 1 January 2019 through June 2019. On 4 June 2019, CHAB acquired 19.9% of the units of AOF, resulting in a unit price increase and AOF trading at a premium to its NTA per unit. AOF reached a high of $3.04 on 24 October 2019, following the announcement that Hume Partners had increased its equity holdings by 1.2%.

The AOF unit price declined following the announcement that the CHAB transaction would not proceed. In late January 2020 Starwood made an all-cash offer to acquire all of the units in AOF resulting in a brief unit price increase above NTA per unit, but the offer was ultimately withdrawn and the unit price declined.

During March 2020, global equity markets experienced significant declines and volatility due to the global COVID-19 pandemic. As a result, the unit price reached a low of $1.50 per unit on 23 March 2020 and began trading below its NTA per unit. Subsequently, global markets experienced some degree of recovery due to government and central bank stimulus measures to counter the economic impact of the pandemic. AOF's unit price partially recovered and then traded within a narrow band for the remainder of 2020 (between $1.97 to $2.36), albeit still below its NTA per unit.

AOF trended upwards through early 2021 driven by the announcement of a strategic review in February 2021. On 7 July 2021, AOF announced it was exploring the possibility of a merger with DPF, an outcome of the strategic review. On 20 September 2021, AOF announced the Merger Ratio associated with the Proposal. AOF units closed at $2.49 on 17 September 2021, the day immediately prior to announcement of the Merger Ratio. The recovery of the AOF unit price throughout 2021 resulted in a reduction in the discount to NTA per unit.

ASX announcements made by AOF and identified as being price sensitive during the period include:

1 4 June 2019: CHAB consortium acquire a 19.9% interest in AOF for $95.6 million (equivalent to $2.95 per AOF unit), as part of a strategic investment related to an intent to acquire all AOF shares

2 31 October 2019: CHAB divest their 19.9% interest in AOF

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3 18 November 2019: AOF RE announce the trust scheme pursuant to which CHAB would acquire all issued shares will not proceed due to a resolution to amend the AOF constitution not passing at a scheme meeting

4 29 January 2020: Starwood announces an all-cash offer of $2.98 per unit to acquire all the interest in AOF. Starwood had previously attempted to acquire AOF in 2018

5 9 March 2020: This period is reflective of a wider market sell-off due to COVID-19 which affected equity markets globally

6 20 March 2020: Starwood announces lapse of its offer, following AOF's refinancing activity in the normal course of business

7 10 July 2020: Following government related shutdowns to stop the spread of COVID-19, AOF announce a COVID-19 related property revaluation reduction of $34.6 million. Further, 11% of tenants enquired about rent relief to this point and rent collections for the June quarter averaged 92%

8 24 August 2020: FY20 results were released to the public which noted net profit attributable to unitholders down $31.6 million (70.5%) and a decline of $0.9 million in FFO (3.2%)

9 23 February 2021: AOF announce 1H21 results which include the formalisation of a strategic assessment to assess options to maximise returns for Unitholders. Highbury Partnership was appointed to assist with the assessment

10 11 March 2021: AOF announce a conditional contract has been entered into for the sale of the 241 Adelaide Street property, located in Brisbane, for $31.5 million. The sale price is equal to the book value of the property at 31 December 2020. Further, AOF announce the suspension of its Distribution Reinvestment Plan from the quarter ending 31 March 2021

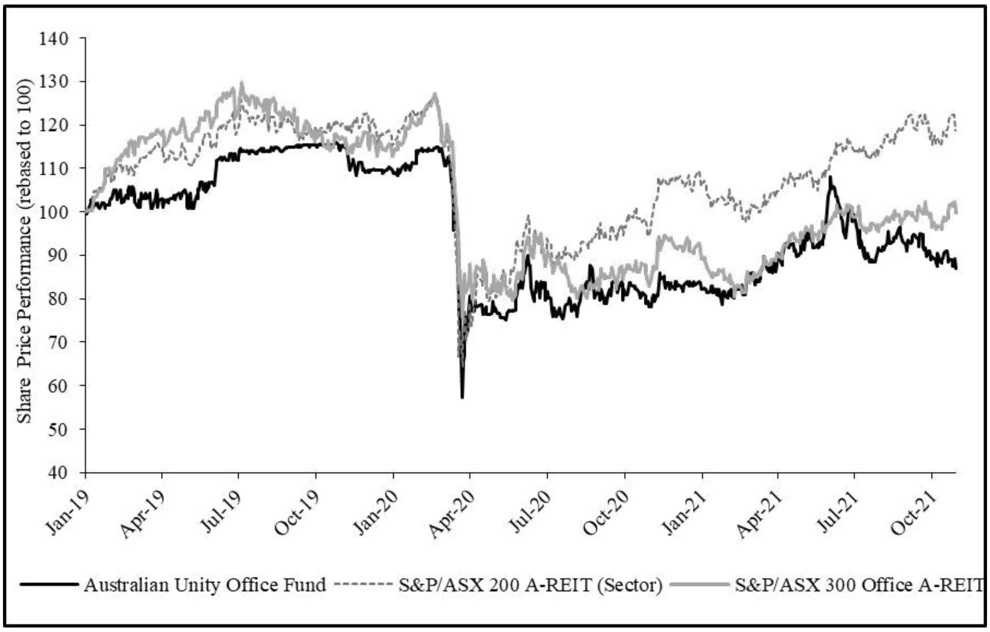
11 7 July 2021: AOF announce its intention to explore a potential merger with DPF, the outcome of its strategic assessment

12 20 September 2021: AOF formally announce the Merger with DPF, including the Merger Ratio.

6.7.2 Relative security performance

The performance of AOF units (rebased to 100) over the 34 months to 20 October 2021, relative to the S&P/ASX 200 A-REIT Index and the S&P/ASX 300 Office A-REIT Index is illustrated on the following chart. Currently, AOF is not a constituent of any indices.

Figure 8: Relative unit price performance from 1 January 2019 to 29 October 2021



Source: Capital IQ, KPMG Corporate Finance Analysis

From January 2019 through February 2020, both the ASX 200 A-REIT and the ASX 300 Office A-REIT indices outperformed AOF, but AOF briefly traded in line with the ASX 300 Office A-REIT index in November 2019. The COVID-19 induced wider market sell-off saw the price of AOF shares decline at a similar quantum to the ASX 200 A-REIT and ASX 300 Office A-REIT indices.

Subsequent to the March 2020 period, the AOF share price and the ASX 300 Office A-REIT index have exhibited a positive correlation, albeit with periods where AOF has underperformed the ASX 300 A-REIT Office index. Both AOF and the ASX 300 A-REIT Office index have underperformed relative to the wider ASX 200 A-REIT index during the COVID-19 pandemic as office related properties were negatively impacted by stay at home orders.

6.7.3 Trading liquidity

An analysis of the volume of trading in AOF's units on the ASX, including the Volume Weighted Average Price (**VWAP**) in the twelve-month period to 6 July 2021, being the last trading day prior to the initial announcement of exploring a possible merger with DPF and thus the final undisturbed unit price, is set out in the table below:

Table 17: Trading liquidity in AOF units pre-announcement

Period up to and including 6 July 2021	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
1 day	2.42	2.49	2.46	0.4	0.2	0.1
1 week	2.42	2.64	2.50	1.0	0.4	0.2
1 month	2.42	2.81	2.57	5.6	2.2	1.3
3 months	2.31	2.86	2.55	13.9	5.5	3.3
6 months	2.06	2.86	2.38	26.2	11.0	6.7
12 months	1.95	2.86	2.19	96.1	43.9	26.9

Note: 1 month VWAP is based on 30 calendar days.
Source: IRESS, Capital IQ, KPMG Corporate Finance Analysis

AOF has a limited free float of approximately 54.5%[7] at 1 October 2021.

AOF units exhibited moderate levels of liquidity over the 12-month period to 6 July 2021, with approximately 26.9% of total units on issue traded, at an average volume of 0.17 million units traded per day, with a daily value of approximately $0.38 million. This shows a moderately liquid market for AOF units notwithstanding a limited free float of 54.5%.

The average AOF unit price based on the six-month VWAP to 6 July 2021 of $2.38 represents a 12.2% discount relative to the 30 June 2021 NTA per unit of $2.71.

Trading liquidity in AOF units post announcement of the Proposal (post 7 July 2021)

An analysis of the volume and VWAP of trading in AOF's units on the ASX after the initial announcement of exploration of a possible merger with DPF is set out in the table below. The periods covered comprise:

- 7 July 2021 to 17 September 2021, reflecting the period between the initial announcement of exploring a possible merger with DPF and the formal announcement of the Proposal including the Merger Ratio
- 20 September 2021 to 29 October 2021, reflecting the period post announcement of the Proposal.

Table 18: Trading liquidity in AOF units post announcement of the Proposal

	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
7 July 2021 to 17 September 2021 (53 days[1])	2.29	2.56	2.38	16.4	6.9	4.2
20 September to 29 October (30 days[1])	2.27	2.51	2.39	11.4	4.8	2.9

Note 1: Trading days
Source: IRESS, Capital IQ, KPMG Corporate Finance Analysis

Approximately 4.2% of total units on issue traded during the period between 7 July 2021 and 17 September 2021 (53 trading days), at an average volume of 0.13 million units traded per day, with a daily value of approximately $0.31 million, reflecting increased activity compared to the previous three months.

Approximately 2.9% of total units on issue traded during the period between 20 September 2021 and 29 October 2021 (30 trading days), at an average volume of 0.16 million units traded per day, with a daily value of approximately $0.31 million, reflecting increased activity compared to the one week prior to 7 July 2021.

[7] Calculated as total securities outstanding minus securities excluded from float, which are comprised of securities held by employees/ individual insiders, strategic corporate investors, and other strategic investors

7 Profile of Australian Unity Diversified Property Fund

7.1 Company overview

7.1.1 Overview

DPF is an unlisted property trust and scheme that is invested in a diversified portfolio of 10 Australian commercial property assets including offices, multi-use (office or industrial), convenience retail and industrial. The property assets are located across all major capital cities of Australia and have a combined NLA of 67,038m^2. As at 30 June 2021, DPF's property portfolio was valued at $543.8 million[8] and each DPF Unit had an NTA of $1.171.

DPF's strategy is focused on acquiring, managing and growing a diversified property portfolio in Australia by:

- providing a stable income stream that is at least 1% p.a. above the average Commonwealth Government 10-year bond yield
- achieving a total return that is above the stated benchmark while providing a consistent level of income. Before October 2019, the benchmark was MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index, however now it is a 10% Internal Rate of Return (**IRR**).

DPF achieves this by providing monthly distributions (prior to 1 October 2020, distributions were quarterly) to investors, sourced from a combination of funds from operations and net realised capital gains. The underlying properties are leased to a diverse tenant base, including investment grade and/or ASX listed companies, ensuring steady inflow of rental income. Income generation is further enhanced from the ownership of a selection of strategic assets with development opportunities that can increase total NLA, gross rentals and asset value.

Key events in the history of DPF are discussed below:

- incorporated in 2003 as the Foodland Associated Limited Property Trust, and in 2006 became the unlisted Westpac Diversified Property Fund. In October 2010, AUPFML became the responsible entity
- simplification of the DPF trust structure in July 2015
- merger with a smaller fund, Australian Unity Retail Property Fund (**RPF**), which contributed two properties valued at approximately $164 million in October 2019.

Operational matters and more recent corporate activities are summarised below.

7.1.2 Operating structure

DPF RE is the responsible entity and investment manager of DPF. As responsible entity, DPF RE oversees the administration and management of DPF and sets the investment policy and objectives including the appointment of an investment manager. This includes matters relating to property values, financial instruments, fund withdrawals, distributions, liquidity and debt facilities.

DPF RE also acts as investment manager with activities guided by the policies approved by the Board of Directors of DPF RE. The investment manager is primarily responsible for financial risk management (which includes price and interest rate risk) and assessing the merits of potential transactions.

Responsible manager and investment manager fees are discussed in Section 7.1.4.

It is noted that DPF RE have appointed related parties for a variety of other services including accounting services (AUFML) and property management services (AUPM). In addition, client registry services are provided by IRESS.

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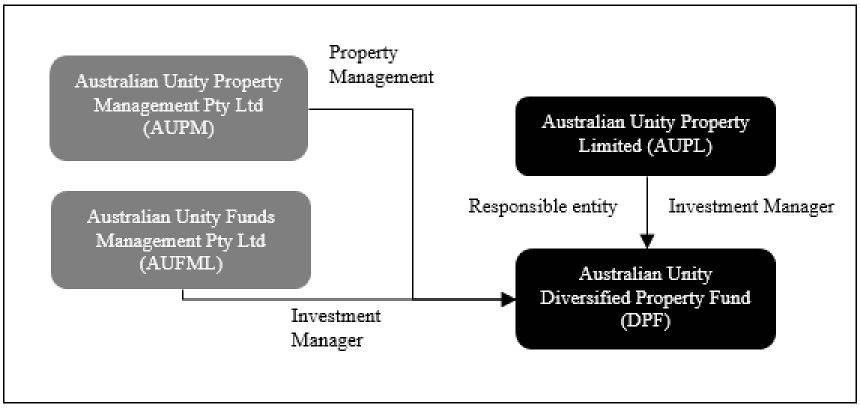
[8] Excluding 19 Corporate Avenue, Rowville due to its proposed divestment

The controlled entities which make up DPF include:

- AU DPF No.1 Sub-Trust No.3
- AU DPF No.1 Sub-Trust No.8
- Australian Unity Property Syndicate - Wyong
- Australian Unity Retail Property Trust
- Australian Unity Property Syndicate – East West Retail
- Australian Unity Gilles Street Trust.

The latter four (i.e. the entities other than AU DPF No.1 Sub-Trust No.3 and AU DPF No.1 Sub-Trust No.8) were stapled to DPF as part of the merger with RPF, via an acquisition of all RPF Units by DPF. The trustees to the underlying trusts within DPF are Australian Unity Investments Management Administration Pty Ltd (**AUIMA**), which is the trustee for the AU DPF No.1 Sub Trusts and AUFML is the trustee for the latter four sub-trusts.

Figure 9: DPF Organisational Structure



Source: Management

7.1.3 Investment policy[9]

The composition of DPF's investment portfolio compared to its investment policy is set out below.

Table 19: Investment portfolio

In millions ($m) unless otherwise stated	Balance as at 30-Jun-21	%	Investment Policy range
Direct property[1]	543.8	91.92%	70-100%
Cash and cash equivalents	22.5	3.80%	0-20%
Investment in AOF	25.3	4.28%	0-15%
Total	**591.6**	**100.00%**	

Note 1: The direct property value is based on the independent valuation reports as at 30 June 2021 and not the carrying value
Source: DPF FY21 Annual Report, DPF PDS May 2021

Details of the investment portfolio are discussed in Section 7.2.

[9] Direct property excludes 19 Corporate Avenue, Rowville due to its proposed divestment

7.1.4 Fee structure

Fees paid to DPF RE as responsible entity and investment manager are summarised below.

Table 20: Summary of DPF's fee structure

Fee/Cost	Entitlement
Base management fee[1]	0.65% p.a. of the GAV of DPF
Performance fee	20% of DPF's outperformance in excess of an IRR of 10% p.a. calculated with reference to DPF's average net asset value and is subject to earning back any underperformance.
Acquisition Fee	Up to 1.00% of the purchase price of a real property asset
Recoverable expenses	Estimated to be 0.20% p.a. of the average GAV of DPF. The underlying fee is a reimbursement for all expenses and associated taxes incurred by DPF RE in the proper performance of their duties.
Removal/ retirement fee	Up to 1.00% of the GAV of DPF upon the removal/ retirement of DPF RE as responsible entity of DPF
Buy/Sell spread	0.50%

Note 1: In October 2020, DPF offered a limited base management fee discount of 30% for all existing investors and new investors who apply for units offered under the Funds PDS. This was further extended in December 2020 until 30 April 2021 (currently expired)

Source: DPF PDS May 2021

7.1.5 Board of Directors and senior management

Board of Directors

Members of the Board of Directors of DPF RE are outlined below.

Table 21: DPF RE Board of Directors

Name	Position - responsible entity
Rohan Mead	Chairman and Group Managing Director
Esther Kerr-Smith	Director, CEO, Wealth & Capital Markets
Darren Mann	Director, Group Executive Finance & Strategy and CFO

Source: DPF FY21 Annual Report

Senior Management

Senior management of DPF is set out below.

Table 22: Management team of DPF[1]

Name	Position
Victoria Padey	Acting Fund Manager
Jonathon Senior	Acting Assistant Fund Manager
Anna Flavell	Senior Asset Manager
Matthew Mitchell	Asset Manager

Note 1: Nikki Panagopoulos, the prior fund manager of DPF was appointed to the role of Fund Manager for AOF in July 2021

Source: Management, DPF Announcements

7.2 Investment property portfolio[10]

As at 30 June 2021, DPF held a portfolio of 10 properties located across Australia with a total carrying value of $547.9 million[11] (adjusted for the proposed divestment in 19 Corporate Avenue, Rowville). The composition of DPF's investment property portfolio by asset type and location (weighted by carrying value) is illustrated below.

Figure 10: Value weighted type of property asset

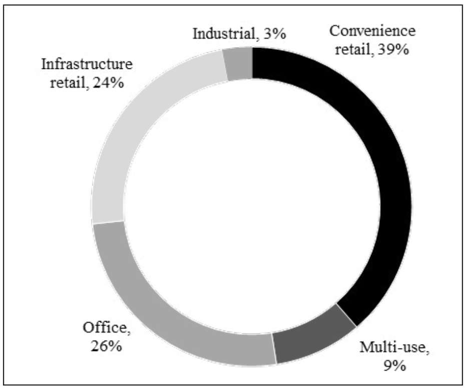
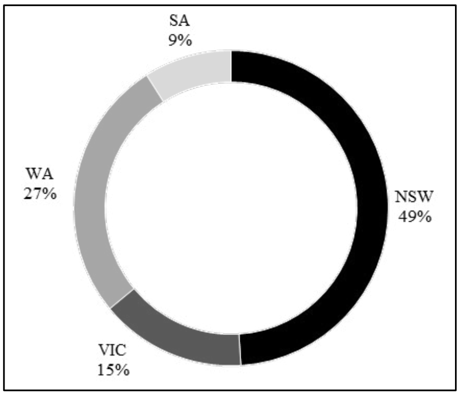


Figure 11: Value weighted location of Assets



Note 1: Totals may not add due to rounding
Source: Management

The portfolio is diversified with relatively equal weighting of industrial and office assets but with a higher weighting to retail and convenience assets. The property locations are predominantly on the east coast of Australia with 64% of the portfolio value located in New South Wales and Victoria followed by 27% located in Western Australia.

[10] Excludes 19 Corporate Avenue, Rowville due to its proposed divestment

[11] Represents the carrying value which differs from the direct property value which is based on the independent valuation reports as at 30 June 2021

DPF's portfolio listing as at 30 June 2021 is summarised below:

Table 23: DPF portfolio listing as at 30 June 2021

Property	Type	BV as at Jun-21 ($'000)	Cap rate (%)	Percent of total (%)	Valuation date	Valuation ($'000)	NLA (m^2)	Development opportunity
Wyong Twin Service Centres, Wyong, NSW	Infrastructure Retail	130,000	5.00%	23.7%	21/05/2021	130,000	4,286	Potential
20 Smith St, Parramatta, NSW	Office	83,500	5.38%	15.2%	30/06/2021	83,500	7,392	Potential
North Blackburn Shopping Centre, North Blackburn, VIC	Convenience retail	79,000	6.00%	14.4%	30/06/2021	79,000	6,329	Yes
1 & 2 Technology Place, Williamtown, NSW, 2318	Multi use	58,562	6.00%	10.7%	1/04/2021	54,885	7,557	Potential
Dog Swamp Shopping Centre, WA	Convenience retail	52,800	6.00%	9.6%	30/06/2021	52,800	8,036	Potential
620 Mersey Street, Osborne, SA	Multi use	49,250	5.00%	9.0%	30/06/2021	49,250	8,006	Potential
Busselton Central Shopping Centre, WA[1]	Convenience retail	46,957	6.25%	8.6%	21/02/2021	46,555	9,062	Yes
Woodvale Boulevard Shopping Centre, Woodvale, WA	Convenience retail	33,508	6.50%	6.1%	20/02/2021	33,500	6,378	Potential
6-8 Geddes St, Balcatta, WA[2]	Industrial	14,275	6.00%	2.6%	30/06/2021	14,275	9,992	Potential
Total[3]		**547,852**		**100.0%**		**543,765**	**67,038**	

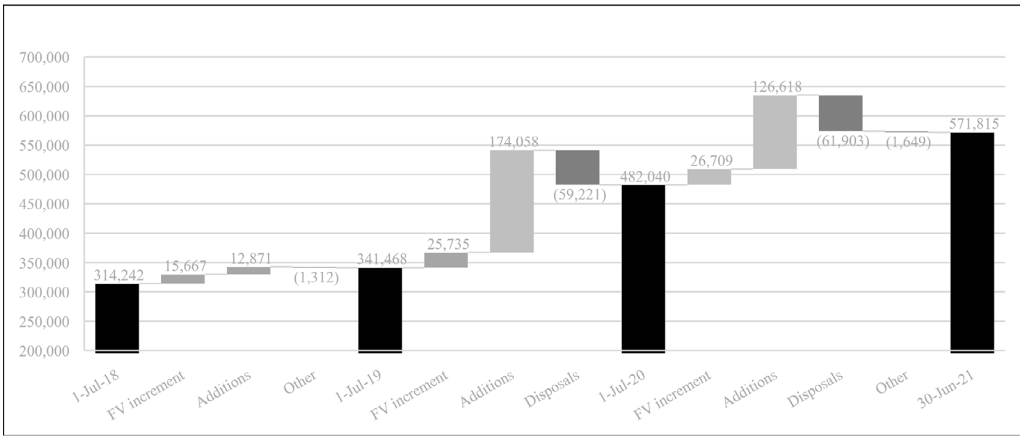
Note 1: Includes Busselton Central Shopping Centre, 21 Prince St Busselton, and vacant Lots 121, 122 and 309, WA
Note 2: Includes 6-8 Geddes Street, Balcatta and 5 Kenhelm Street Balcatta, WA
Note 3: Excludes 19 Corporate Avenue, Rowville due to its proposed divestment
Source: DPF Fund Update 30 June 2021, DPF YTD22 Management

The carrying value of the investment properties may vary from the independent valuation of the property due to acquisition costs, capital expenditure, and the accounting treatment of leasing commissions and lease incentives. All properties are 100% owned.

DPF is continuing to be managed on a business as usual basis and is actively considering potential asset sales to fund the development opportunities at its Busselton Central and North Blackburn properties. The property located at 19 Corporate Avenue, Rowville has been subject to, unsolicited, conditional offers and DPF RE proposes to take advantage of current property market conditions to sell the property in the short term.

Development plans for the properties are detailed in Section 7.2.5.

Figure 12: Movement in direct property holdings from FY19 to FY21 ($'000)



Note 1: Other refers to lease commissions, incentives amortisation and straight-lining of rental income
Note 2: Additions are inclusive of acquisitions as part of business combinations and purchases of properties in the regular course of business
Note 3: Disposals are calculated net of capital gains earned in that year in respect of properties sold
Source: DPF FY19-FY21 Annual Reports

From FY19 to FY21, there was a steady increase in the value of direct properties held, notwithstanding COVID-19 during 2020. FY20 additions include North Blackburn Shopping Centre and Wyong Twin Service Centres (following the merger with RPF). Furthermore, during FY20, DPF purchased vacant land known as Lots, 121, 122 and 309 that are included in the value of Busselton Central Shopping Centre. In FY21, there were further additions of 620 Mersey Street, Osborne and 1 & 2 Technology Place, Williamtown while 278 Orchard Road, Richlands was sold.

7.2.1 Portfolio statistics

A summary of direct investment property portfolio from FY19 to FY21 is summarised below.

Table 24: DPF portfolio summary

as at	30-Jun-19	30-Jun-20	30-Jun-21[1]
Weighted average capitalisation rate (by book value)	6.47%	6.17%	5.63%
Occupancy (by income)	87.8%	92.0%	98.5%
Weighted average lease expiry (years)	4.5	7.5	8.2
Number of investments[2]	11	10	10

Note 1: Excludes 19 Corporate Avenue, Rowville due to its proposed divestment
Note 2: Consolidated for reporting purpose
Source: DPF FY19-FY21 Annual Reports, 30 June 2021 Fund update, and DPF Merger Proposal 20 September 2021 announcement

DPF's weighted average capitalisation rate (by book value) has decreased since FY19, which was primarily driven by reductions in the capitalisation rate of NSW and VIC properties and to a lesser extent by WA properties.

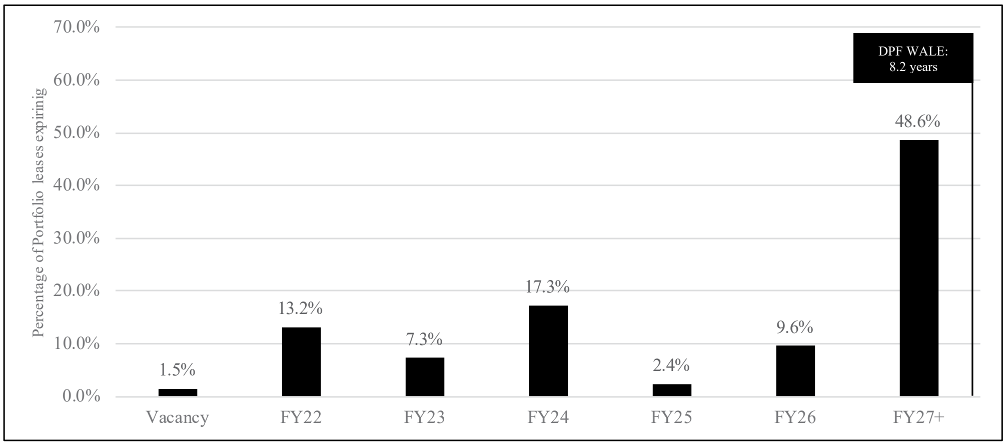
Vacancy rates have improved from 12.2% to 1.5% over the period. This was primarily due to the sale of 278 Orchard Road, Richlands in 2021 (which had an occupancy rate of 80%) that reduced the average vacancy rate (or improved the average occupancy rate) post sale.

WALE has increased from 4.5 years to 8.2 years over the period. This is due to the addition of Wyong Service Centres which have a WALE of 17.0 years (as of 30 June 2021) which increases the average as well as extends rental renewals for longer dated leases. Furthermore, the sale of 200 Victoria Street, Carlton and 278 Orchard Road, Richlands contributed to a higher WALE as these properties each had a WALE of less than three years at the date of sale.

7.2.2 Lease portfolio

The lease profile by net lettable area is illustrated below.

Figure 13: Lease expiry profile (by net lettable area) as at 30 June 2021[12].



Source: Explanatory memorandum

As part of DPF's strategy of total return, DPF aims to construct a long WALE property portfolio which provides longevity and predictability of income. As 47% of leases by NLA expire after FY27, the WALE is high at 8.2 years as the current leases are long dated.

7.2.3 Tenants

DPF have 10 properties (consolidated for reporting purposes) with approximately 130 tenants as at 30 June 2021 (adjusted for the proposed sale of 19 Corporate Avenue, Rowville). The tenants are illustrated below.

Table 25: Top tenants by income

Top Tenants	%
Caltex - Ampol	20%
Woolworths	11%
Australian Naval Infrastructure	8%
Coles	5%
Other	57%
Total[1]	**100%**

Note 1: Totals may not add due to rounding
Source: Management

[12] Excludes 19 Corporate Avenue, Rowville due to its proposed divestment

The current tenants are investment grade, high-quality tenants, quality comprising Australian corporates, multinationals that have large businesses in Australia or government entities. Approximately 43% of income is derived from the top four tenants.

7.2.4 Valuation policy

Section 6.2.4 outlines the valuation policy of AOF, the principles of which are the same for DPF.

DPF's investment in AOF is marked to market at the end of each reporting period, based on the trading price of AOF Units on the ASX.

7.2.5 Development opportunities

As part of DPF's investment strategy, the management team actively seek opportunities for value growth through capital gains and income generation from the properties. The current development opportunities are discussed below.

North Blackburn Shopping Centre

The shopping centre is currently in a two-stage development project with an expected cost of $70 million. Stage 1 commenced in May 2020, which includes a new Coles, 11 new speciality stores, upgraded tenant amenities and re-graded parking facilities. Stage 1 is expected to be completed by February 2022 and is 100% pre-leased which will provide substantial uplift to WALE in February 2022.

Stage 2 will see the remainder of the Centre refurbished and expanded with additional specialty retailers, childcare, a gym, and mini-major tenancies. 70% of the Stage 2 income is pre-committed with leases of over 10 years to childcare, medical, ALDI and Woolworths. Stage 2 is expected to commence in November 2021 and complete by February 2023.

Busselton Central Shopping Centre

The shopping centre is currently in a four-stage development project with an expected Stage 1-3 development cost of $49 million. Stages 1 and 2 were completed in February 2020 which included a new Coles, Liquorland, Best & Less, a new link mall and six new specialty stores.

Pre-construction is advanced on Stage 3. This stage involves an interactive entertainment, and food and beverage precinct. The City of Busselton has also commenced works on upgrading the adjacent park precinct with the first stage of works due to be completed by August 2021. The expected completion date of Stage 3 is November 2022, with 60% of Stage 3 income being pre-committed which includes a cinema. Stage 4 details remain confidential at the time of this report.

620 Mersey Road, Osborne

This property, currently leased to Australian Naval Infrastructure until 2030, includes two vacant pad sites flagged for future development. Management are exploring the development opportunity of adding two additional office/ multi-use buildings on the vacant pad sites.

6-8 Geddes Street, Balcatta

This property includes an adjacent parcel of land (5 Kenhelm Street), providing opportunities for expansion of the facility. Furthermore, there are ongoing tenant discussions for a tenant led development and extension of existing terms.

20 Smith Street, Parramatta

While there are no development plans currently in place, management are exploring development opportunities to increase the gross floor area to 19,000m^2 by adding an additional seven floors.

1 & 2 Technology Place, Williamtown

Management is planning to explore the feasibility of redeveloping existing decked parking to provide additional office space and are exploring the acquisition of adjacent vacant land to extend the campus.

Wyong Twin Service Centres, Wyong

Management is exploring upgrading existing facilities to introduce electronic-vehicle charging stations and a development opportunity to capture the value add from the unused vacant land to maximise site utilisation and income.

Dog Swamp Shopping Centre

Management is exploring the implementation of the rooftop solar strategy to improve net return and improve Environment, Social and Governance (**ESG**).

Woodvale Boulevard Shopping Centre

There is currently an active masterplanning strategy underway to further enhance the centre with the opportunity of future development. No further information was provided regarding the specific details.

7.3 Historical financial performance

The financial performance of DPF for FY19, FY20, and FY21 is summarised in the following table.

Table 26: Historical consolidated financial performance

Period in thousands ($'000) unless otherwise stated	FY19 Audited	FY20 Audited	FY21 Audited
Income			
Rental income[1]	28,420	36,524	36,714
Property expenses[1]	(11,705)	(13,217)	(12,609)
Net property income	**16,715**	**23,307**	**24,105**
Responsible entity's fees	(5,398)	(7,283)	(11,212)
Other expenses	(381)	(1,391)	(67)
EBIT	**10,936**	**14,633**	**12,826**
Interest income	84	20	1
Borrowing costs	(5,970)	(7,363)	(8,825)
Other operating income	245	241	233
Realised gain on disposal of investment property	-	11,977	17,011
Distribution income	3,456	1,760	1,443
Net gains/(losses) on financial instruments held at FVTPL	(3,165)	(15,023)	6,212
Net fair value increment of investment properties	15,667	25,735	26,709
Net profit attributable to DPF Unitholders	**21,253**	**31,980**	**55,610**
FFO Adjustments[1]:			
Straight-lining of rental income and amortisation of leasing commissions and tenant incentives	1,312	1,963	1,673
Net (gain)/ loss on financial instruments held at fair value	3,165	15,023	(6,212)
Realised loss on disposal of investment property	-	(11,977)	(17,011)
Net fair value (increment)/ decrement of investment properties	(15,667)	(25,735)	(26,709)
Amortisation of borrowing costs	282	561	587
Responsible entity's performance fees	3,662	3,706	6,858
Non-recurring items	-	1,209	484
Funds from Operations (FFO)	**14,007**	**16,730**	**15,280**

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Metrics			
Closing units on issue	*201,442*	*268,716*	*287,790*
Distribution to unitholders ($'000)	*13,474*	*22,810*	*27,740*
Distribution to unitholders (excl. special distributions)	*13,474*	*16,146*	*14,933*
Payout ratio (FFO basis)[2]	*96.2%*	*96.5%*	*98.5%*
Cash distributions cpu	*6.8*	*8.9*	*10.0*
Cash distributions cpu (excl. special distributions)	*6.8*	*6.4*	*5.6*
Net property income growth	*(9.4%)*	*39.4%*	*3.4%*

Note 1: The straight-lining of rental income and the amortisation of rental abatements are recorded as a reduction of rental income. Amortisation of leasing commissions and tenant incentives are recorded in property expenses
Note 2: Payout ratio (FFO basis) has been calculated as distributions to Unitholders (excl special distributions) divided by FFO
Source: KPMG Corporate Finance Analysis, DPF FY18-FY21 Annual Reports

We note the following regarding the historical financial performance:

- Total net property income for FY21 was $24.1 million which was 3.4% higher than FY20 and 29.2% higher than FY19, driven by growth of the underlying value of the property portfolio from direct acquisitions, merger with RPF and periodic upward revaluations, as well as improvement in the occupancy rate across the property portfolio. Overtime, property expenses have reduced as a proportion of rental income (41.2% in FY19 to 34.3% in FY21) representing efficiencies generated in the maintenance of properties.
- Distribution income has decreased from FY19 to FY21 with a decrease of 49.1% in FY20 and a further 18.0% decrease in FY21 due to sale or exit from certain property trust investments. The distribution from AOF has remained the same from FY20 to FY21 at 15 cpu.
- A net gain on financial instruments held at fair value through profit and loss (FVTPL) of $6.2 million was earned in FY21 which was primarily due the recovery of the AOF share price from $2.09 on 30 June 2020 to $2.61 on 30 June 2021. Included was $1.2 million recognised from the termination of DPF's interest rate swap contracts.
- Net fair value increment of investment properties amounts to $26.7 million and $15.7 million in FY21 and FY20, respectively as a result of the upward revaluations of the underlying property portfolio.
- Realised gain on disposal of investment property of $17.0 million in FY21 related to the sale of 278 Orchard Road, Richlands for $85 million (excluding selling costs of $6.1 million).
- Responsible entity fees have increased from FY19 to present due to the growth of the underlying property portfolio through acquisitions, revaluations and the merger with RPF (resulting in higher management fees) together with the satisfaction of performance hurdles over the period (resulting in performance fees). Section 7.1.4 provides details of fees.
- Borrowing costs have increased from $6.0 million to $8.8 million over the period as DPF has drawn more from their bank facilities than in prior years with the current balance being $260.7 million ($208.6 million in FY19). The marginal increase in borrowings of 24.9% is in line with the 19.9% increase in borrowing costs for FY21.
- There has been an improvement in net profit attributable to Unitholders from FY19 to FY21 which has increased 50.5% and 73.9% across the two years. The increases in profit were driven by gains from disposals and upward revaluation of properties, reflecting the defensive characteristics of a portfolio not substantially impacted by the global COVID-19 pandemic.
- In FY20, DPF declared total distributions of $22.8 million, of which a special distribution of $6.7 million (2.48 cpu) was funded from the sale of 200 Victoria Street, Carlton. Excluding the special distributions, DPF declared $16.1 million in distributions in FY20. In FY21, DPF declared total distributions of $27.7 million, including a special distribution of $12.8 million which was partially funded by proceeds realised from the sale of 278 Orchard Road, Richlands during the year. Excluding the special distribution, DPF declared $14.9 million in distributions, representing a 98.5% payout ratio on an FFO basis. In FY21, approximately 3.3 million units were added through the reinvestment of distributions via the DRP which

reinvests distributions at a 2.5% discount to the NTA. These funds will be used on development projects, acquisitions of properties and to provide liquidity for cash redemptions.

7.3.1 Distribution profile

DPF pays distributions on a monthly basis (quarterly pre-October 2020) and DPF's distribution yield is shown in the table below.

Table 27: DPF distribution yield ($'000)

DPF distribution yield	FY19	FY20	FY21
Total Distributions to unitholders	13,474	22,810	27,740
Average NAV[1]	201,312	247,917	312,176
Distribution yield	**6.69%**	**9.20%**	**8.89%**

Note 1: Distribution yield has been calculated as the total distribution (ordinary and special, representing a gain from the disposal of assets) to Unitholders divided by Average Net Asset Value attributable to Unitholders. Please refer to Section 7.4 for NAV figures
Source: DPF FY19-FY21 Annual Reports

During October 2020, DPF changed from quarterly to monthly distributions. The average distribution per quarter subsequently decreased from an average of 1.7 cpu per quarter to 1.5 cpu per quarter.

During June 2020 and June 2021, there was a special distribution declared following the gain on disposal of 200 Victoria Street, Carlton and 278 Orchard Road, Richlands, respectively which caused a spike in the distribution profile.

In October 2019 there was a pre-merger special distribution in respect of the merger between DPF and RPF of 0.43 cpu. Subsequently, the 31 December 2019 quarterly distribution was reduced to maintain a 6.8 cpu yearly distribution for FY20.

7.4 Historical financial position

DPF historical consolidated financial position as at 30 June 2019, 30 June 2020, and 30 June 2021 is summarised in the following table.

Table 28: Historical consolidated financial position

As at in thousands ($'000) unless otherwise stated	REF	30/06/2019 Audited	30/06/2020 Audited	30/06/2021 Audited
Cash and cash equivalents	7.4.1	3,677	19,657	22,539
Receivables	7.4.1	2,103	5,509	4,272
Prepaid expenses	-	211	215	443
Financial assets held at FVTPL	7.4.2	28,031	22,597	25,323
Investment properties	7.2.3	341,468	480,077	569,852
Total assets		**375,490**	**528,055**	**622,429**
Distributions payable	7.2.4	3,425	10,139	12,951
Payables	7.2.5	8,220	7,894	11,747
Financial liabilities held at FVTPL	-	8,120	14,075	-
Borrowings	7.2.6	147,194	208,645	260,681
Total liabilities		**166,959**	**240,753**	**285,379**
Net assets attributable to unitholders - Equity		**208,531**	**287,302**	**337,050**

Metrics			
Closing number of units on issue ('000)	*201,442*	*268,716*	*287,790*
NTA per unit ($)[1]	*1.05*	*1.11*	*1.17*
Gearing[2]	*38.6%*	*37.2%*	*39.9%*
Implied return on net assets[3]	*10.6%*	*12.9%*	*17.8%*

Note 1: NTA per unit is calculated as the published mid-unit price of DPF units
Note 2: Gearing is calculated as interest bearing liabilities, excluding unamortised borrowing costs, less cash, divided by total tangible assets less cash
Note 3: Implied return on net assets has been calculated as net income attributable to unitholders divided by the average between opening and closing net assets attributable to unitholders
Source: DPF FY18- FY21 annual reports and presentations

7.4.1 Cash and cash equivalents and Receivables

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less and bank overdrafts.

Cash and cash equivalents at FY21 were $22.5 million, 14.7% higher than FY20 of $19.7 million, reflecting higher cash inflows from operating activities and $51.5 million of net borrowings drawn to fund (together with proceeds from the sale of other properties) the purchase of 1 & 2 Technology Place, Williamtown. There was a substantial increase in the cash balance from FY19 of $3.7 million to the FY20 balance which was due to the sale of 200 Victoria Street, Carlton for $72 million.

Receivables relate to amounts owed to DPF which may include amounts for dividends, interest, rental income in arrears, trust distribution and securities sold where settlement has not yet occurred. It also includes RITC and application monies receivable from Unitholders.

Receivables as at 30 June 2021 are $4.3 million which is lower than the prior year due to a reduction in trade receivables.

7.4.2 Financial assets and liabilities held at FVTPL

DPF's investments are classified as held at fair value through profit and loss. These may include investments in listed property trusts, unlisted property trusts and other unlisted trusts. Financial assets and liabilities are offset and the net amount is reported when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis. In the case of DPF, interest rate swaps were used as offsetting instruments which were exited as at 30 June 2021.

In FY19, DPF held units in Australian Unity Rockdale Property Trust, a related unlisted property trust which terminated on 31 January 2019 following the disposal of its sole property asset, 395 West Botany Street, Rockdale.

The balance of financial assets held at FVTPL increased by 12.1% from $22.6 million to $25.3 million in FY21 due to an increase in the value of AOF and further units purchased in the entity.

The balance of financial liabilities held at FVTPL decreased from $14.1 million in FY20 to $0 in FY21 as interest rate swaps terminated during FY21. The previously held swaps were out of the money at prohibitive interest rates so a decision was made to adopt an unhedged position while a new debt facility was being negotiated. DPF is currently sourcing new hedging arrangements at commercial rates in line with the interest rate risk management policy.

7.4.3 Investment properties

Investment Properties refer to the direct properties held on balance sheet for DPF. Please refer to Section 7.2 and/or Appendix 7 for a detailed list of properties.

In FY21, Investment properties increased by 18.7% to $569.9 million[13] which is attributable to the purchase of 1 & 2 Technology Place, Williamtown and 620 Mersey Road, Osborne as well as valuation uplifts from independent valuations.

In FY20, Investment properties increased 40.6% primarily due to the merger with RPF on 24 October 2019 where DPF acquired all units of RPF on issue for approximately $164 million.

7.4.4 Distributions payable

Distributions payable refers to distributions that have been declared/ announced but not yet paid to the Unitholders of the DPF.

7.4.5 Payables

Payables represent liabilities and accrued expenses owed by DPF which are unpaid as at the end of the reporting period. These payables, which are generally settled on 30 to 90 day terms and are unsecured, are carried at amortised cost.

In FY21, payables increased from $7.9 million to $11.7 million. The primary driver for the increase was an increase in accrued expenses from $5.9 million to $10.5 million.

7.4.6 Borrowings

Borrowings relate to a bank loan facility which comprise of three tranches with different limits and expiry dates, as summarised below.

Table 29: Key terms of the bank loan facility

in thousands ($'000) unless otherwise stated	Total Facility	Amount Drawn	Available Facility	Maturity
Bank loan - Tranche A	$150,000	$150,000	$0	24-Oct-22
Bank loan - Tranche B	$100,000	$100,000	$0	24-Oct-24
Bank loan - Tranche C	$50,000	$11,890	$38,110	24-Oct-24
Total borrowings	**$300,000**	**$261,890**	**$38,110**	
less: capitalised borrowing costs		(1,209)		
Balance sheet debt		**$260,681**	As at 30 June 2021	

Source: DPF FY21 Annual Report

The borrowing facilities were refinanced in late 2019 on the back of the merger with RPF, with the borrowing capacity was increased from $155 million to $300 million. This helped to fund the purchase of 1 & 2 Technology Place, Williamtown and 620 Mersey Street, Osborne. Management anticipate that the borrowing facility will be refinanced prior to maturity.

7.5 Unit holdings

At 4 October 2021, DPF had approximately 292.5 million units on issue. The top 10 registered unitholders accounted for 20.56% of DPF's units on issue.

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[13] Includes 19 Corporate Avenue, Rowville

Table 30: DPF's substantial unitholders

Unitholder	Number of units held ('000)	Percentage of issued units (%)
Total units held by top 10 Unitholders[1]	**60,127.8**	**20.56%**
Other	232,401.5	79.45%
Total units on issue	**292,529.3**	**100.00%**

Note 1: Totals may not add due to rounding

Source: Management

7.5.1 Applications and redemptions

From FY19 to FY21, there was a net application for Units in DPF. In FY20, net applications were significantly higher due to the merger with RPF where DPF issued approximately 83.8 million units in exchange for the retail and wholesale Units of RPF.

Net applications in FY21 were substantial due to the extension of discounts to base management fees and improving sentiment over the property sector.

7.6 Outlook

DPF's FY22 guidance forecasts FFO of 5.8 cpu and distributions of 5.7 cpu at 99.0% FFO distribution percentage.

The table below shows reported FFO from FY21 and YTD22 as well as the FY22 guidance.

Table 31: DPF distribution profile

Period $m	FY21 Audited	YTD22 Management	FY22 Guidance
Closing units on issue ('000)	287,790	292,302	n/a
Cash distributions[1] (cpu)	5.6	1.5	5.7
Distribution to unitholders[1]	14.9	4.4	16.9
FFO (cpu)	5.3	1.3	5.8
FFO ($'000)	15.3	3.8	17.1
Payout ratio (FFO basis)[1]	98.5%	115.6%	99%

Note 1: excluding special distributions
Source: DPF Annual Reports, DPF Explanatory memorandum, Management

The FY22 cash distribution guidance of 5.8 cpu, is slightly higher than FY21 distribution of 5.3 cpu which was affected by COVID-19. Similarly, the FY22 payout ratio of 99.0% is higher than FY21.

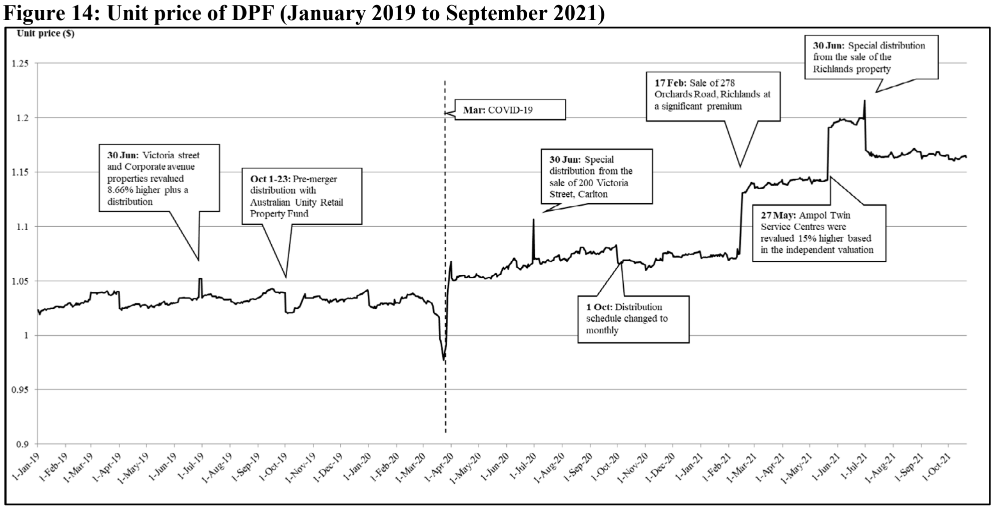
1Q22 distribution was declared at 1.5 cpu, at an FFO payout ratio of 115.6%. DPF has recorded a valuation uplift in property values for North Blackburn and Busselton Shopping centres at 30 September 2021, reflective of capital expenditure in their respective development plans. Offsetting this, the value of the investment in AOF has decreased as the listed share price has fallen approximately 10% since 30 June 2021. Furthermore, the above reflects the proposed divestment of 19 Corporate Avenue, Rowville, which is being investigated by management.

7.7 DPF Unit price performance

7.7.1 Recent unit price movements

The chart below illustrates DPF's daily mid-unit price (NTA) over the period from January 2019 to September 2021

Figure 14: Unit price of DPF (January 2019 to September 2021)



Source: DPF Website, KPMG Corporate Finance Analysis

The DPF unit price between the periods of 1 January 2019 to 1 March 2020 remained relatively stable. The spikes and troughs in the unit price can be explained via the accumulation of distributions and subsequent payment and valuation uplifts.

During the onset of COVID-19, there was a repricing in the industry where multiples applied to the real estate sector decreased due to disruptions and uncertainties as individuals moved towards working from home. During this period, DPF's investment in the listed property trust (AOF) decreased by $10 million, and there was $2 million in divestments of other listed property trusts plus a $2 million movement in mark-to-market interest rate swaps. As such, this caused the unit price to fall.

However, given the assets held by DPF are relatively diverse with a strong tenant base, the unit price quickly recovered as investors recognised that DPF's property portfolio value was largely unaffected by COVID-19. From FY20-FY21, DPF sold two properties (200 Victoria Street, Carlton and 278 Orchards Road, Richlands) at a premium to their carrying value which resulted in special distributions during June 2020 and June 2021 respectively. This had the effect of increasing NTA as these properties were sold at significant premium to book value.

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8 Profile of AUPF

8.1 Overview

AUPF (being the renamed AOF) will be a listed REIT that aims to provide investors with sustainable income via quarterly distributions and the potential for capital growth over the long-term by investing in a diversified portfolio of Australian properties.

AUPF will have 18 properties with a total portfolio value of $1,153.4 million[14] located across Australia including office, neighbourhood and convenience retail and industrial properties.

AUPF's strategy will focus on:

- owning Australian office properties in metropolitan and CBD markets, complemented by a targeted and diversified portfolio of Australian real estate assets, and offering affordability, accessibility and amenity
- delivering sustainable and growing income returns by quarterly distributions
- maximising returns through value-add initiatives including developments, asset repositioning strategies, divestments and acquisitions
- targeting index inclusion, and
- maintaining a capital structure which has target gearing below 40%.

If the Proposal proceeds, existing AOF Unitholders will own approximately 54% of AUPF and will gain exposure to the investment characteristics of AUPF, including:

- improved income sustainability and growth prospects
- a larger, more diversified portfolio
- distribution accretion
- scale, relevance, and liquidity with potential index inclusion
- mandate flexibility to drive income and value-add opportunities
- opportunity to diversify debt facilities
- continuity of asset management and tenant relationships.

Summarised below are the key investment characteristics of AUPF relevant to AOF Unitholders.

8.2 Operating and fee structure

If the Proposal proceeds, AOF will acquire all of the Units in DPF in consideration for the issue of AUPF Units (being new units in the renamed AOF) to DPF Unitholders. Whilst AOF will change its name to AUPF following the implementation of the Proposal, the operating structure will remain unchanged. The AOF operating structure in summarised in Section 6.1.2.

AOF RE will remain the responsible entity, AUFML will remain the investment manager and AUPM will continue to provide property related services. The fee structure of AUPF will remain unchanged.

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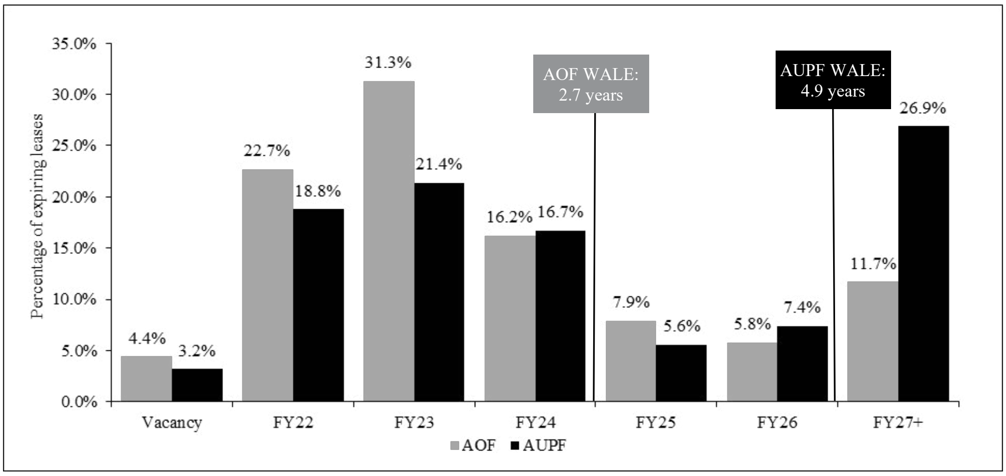
[14] Pro forma at 30 June 2021, adjusted for the acquisition of 96 York Street, Beenleigh and proposed divestment of both 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville.

8.3 Income sustainability and growth prospects

Improved income sustainability

AOF's current lease expiry profile is concentrated in the short term, with a WALE of 2.7 years[15]. The AUPF portfolio's lease expiry will have an increased WALE of 4.9 years, as illustrated below.

Figure 15: Lease expiry profile pro-forma (by net lettable area)



Source: Explanatory Memorandum

As shown above, 54.3% of AOF's leases (by NLA) will expire by the end of FY23. The shorter lease expiry profile can be explained by major tenants taking longer to renew leases on upcoming renewals due to the impacts of COVID-19. The combination of the current market dynamics and tenant mix contributes to the shorter-term WALE of the AOF portfolio.

The lease expiries of AUPF are more dispersed than those of AOF, with fewer properties (by NLA) expiring in the next three years due to long dated lease agreements underpinning the DPF property portfolio. In this regard, 26.9% of AUPF's leases will expire on or after FY27, and 40.3% will expire on or before FY23

AUPF should benefit from the longer WALE which will result in improved income sustainability and predictability as well as lower levels of volatility during rent renewal periods of a more diverse, less concentrated tenant base.

Growth prospects

Growth prospects of AUPF are enhanced by existing development opportunities of both AOF (2 Valentine Avenue) and DPF (North Blackburn Shopping Centre, Busselton Shopping Centre, and others) properties.

Funding for development opportunities across the AUPF property portfolio can be accessed from the refinancing of a larger portfolio of properties, on more affordable terms. Refer to Section 8.7 for further information on AUPF debt and AUPF Refinancing.

[15] Pro forma at 30 June 2021, adjusted for the acquisition of 96 York Street, Beenleigh and proposed divestment of both 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville.

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8.4 Portfolio characteristics

The AUPF portfolio will comprise 18 diverse property assets valued at approximately $1.2 billion compared to the current AOF portfolio of 8 office properties. The characteristics of the portfolios are summarised as follows.

Table 32: AUPF portfolio summary

Characteristic	AOF[1]	AUPF
Number of properties[2]	8	18
Portfolio value ($m)	609.6	1,153.4
Weighted average capitalisation rate (%)	5.9%	5.8%
Occupancy	95.6%	96.8%
Net lettable area (m^2)	95,969	163,007

Note 1: Pro-forma, including 96 York St and excluding 32 Phillip St
Note 2: Metrics shown are as at 30 June 2021
Source: Explanatory memorandum

As shown above, the number of properties, value and NLA of the AUPF portfolio would be higher than the standalone AOF portfolio. Weighted average capitalisation rate would slightly decrease, while total occupancy would increase by approximately 1.2%.

Greater asset diversification

Diversification of asset mix is a key element of the Proposal, with the merged portfolio having a lower weighting to office assets (78% to 53%) and multi-use assets (from 22% to 16%) as well as adding infrastructure retail, industrial and convenience retail assets to the asset mix. This combination of assets will diversify sources of income and reduce overall volatility.

Figure 16: AOF – Asset mix by book value[1]

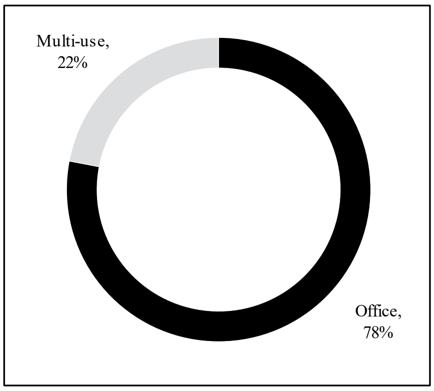
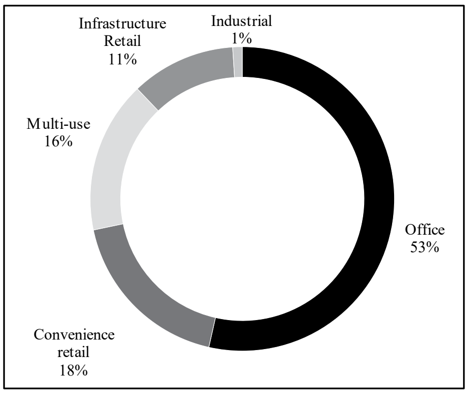


Figure 17: AUPF – Asset mix by book value[2]



Note 1: Multi-use assets refer to properties that are both office and industrial properties
Note 2: Adjusted for the acquisition of 96 York Street, Beenleigh and proposed divestment of both 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville
Note 3: Totals may not add due to rounding
Source: Explanatory Memorandum

Diversification of geography is also a benefit with the merged portfolio comprising properties located in more Australian states, including the introduction of properties in WA. As shown below, concentration of properties (by book value) in Australia's two largest states, NSW and VIC, remain relatively unchanged under the AUPF portfolio, compare to AOF on a standalone basis, however there is a lower concentration in QLD, SA, and the ACT.

Figure 18: AOF – Geographic mix by book value

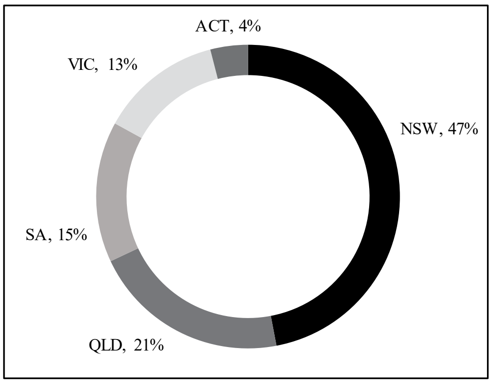
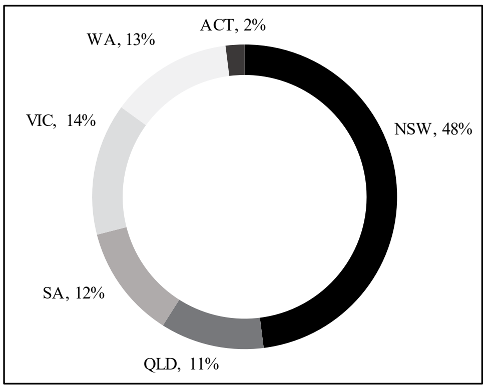


Figure 19: AUPF – Geographic mix by book value



Source: Explanatory Memorandum

Diversification of tenant mix is another benefit of the Proposal. AUPF will continue to benefit from high quality, investment grade flagship tenants, including national Australian businesses, multinationals, and government entities. However, the contribution of flagship tenants to revenue will decrease from 64% (standalone AOF) to 51% (AUPF). This will diversify revenue, reduce exposure to any single tenant and reduce the concentration of the lease expiry profile (as seen in Figure 15 above).

Figure 20: AOF – Tenants by income[1]

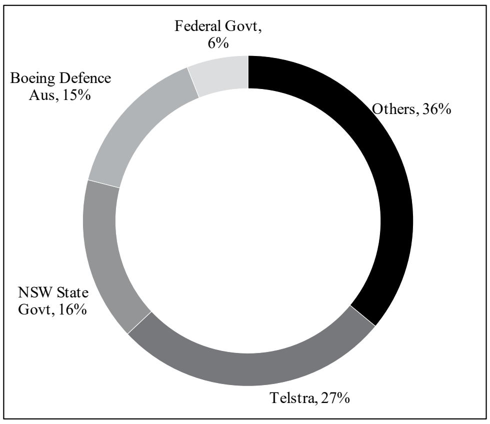
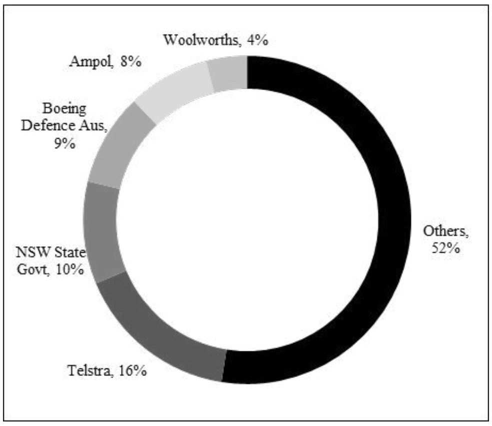


Figure 21: AUPF – Tenants by income[1]



Note 1: All metrics shown are as at 30 June 2021, adjusted for the acquisition of 96 York Street, Beenleigh, and proposed divestment of both 32 Philip Street, Parramatta and 19 Corporate Avenue, Rowville
Numbers may not add due to rounding
Source: Explanatory Memorandum

8.5 Distribution profile

Based on FY22 forecast financials prepared by AOF and DPF and presented in Section 9.5 of the Explanatory Memorandum, the Proposal is expected to be accretive to distributions.

The financial metrics of AUPF are summarised below.

Table 33: AUPF financial metrics

FY22 guidance ($m)	AOF[1]	AUPF[2]
Cash distributions cpu	15.2	15.5
Distribution to unitholders	25.0	35.2
FFO cpu	18.4	18.0
FFO	30.2	40.3
Payout ratio (FFO basis)	82.6%	86.1%

Note 1: refer to Section 6.6 for further explanation
Note 2: Pro-forma AUPF guidance sourced from Explanatory Memorandum (Section 9.5 d) and assumes a Proposal Implementation Date of 22 December 2021

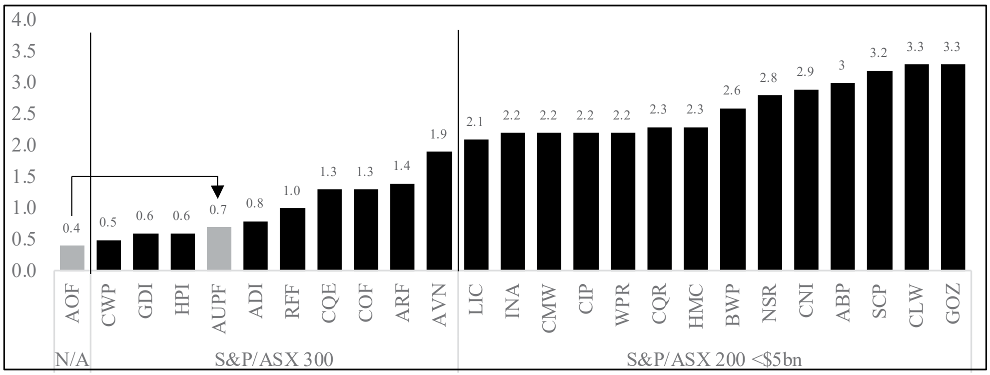
AUPF has forecast an FY22 cash distribution of 15.5 cpu, a slight accretion in distributions compared to AOF on a standalone basis. Specific assumptions relating to the pro-forma calculations can be found in Section 9 of the Explanatory Memorandum. AOF will pay ordinary distributions to its Unitholders for the September and December quarters, with AUPF to commence distributions in March 2022. AOF has declared a distribution of 3.8 cpu for the September quarter. A 3.8 cpu distribution is expected for the December quarter, with the remaining 7.9 cpu to be comprised of AUPF distributions, post the Implementation of the Proposal. Overall, distributions per unit are expected to be accretive.

Forecast FY22 FFO of AOF of 18.4 cpu is expected to be 18.0 cpu for AUPF. FFO per unit is expected to be dilutive for AUPF due to the immediate impact of transactions costs while the benefits of synergies are realised over time.

8.6 Scale and potential index inclusion

AOF's current market capitalisation is not sufficient for inclusion in ASX200 or ASX300 indices. Following implementation of the Proposal, AOF Unitholders will hold units in a larger fund with net asset value and estimated market capitalisation of approximately $730 million[16].

Figure 22: Market capitalisation of S&P/ASX 200 and 300 A-REIT constituents



Source: Explanatory Memorandum

The enlarged size of AUPF may result in the securities being included in the S&P/ASX 300 Index (and associated sub-sector ASX300 indices) and potentially the FTSE EPRA Nareit Global Developed Index, a

[16] Estimated market capitalisation is based on management's pro-forma calculation as published in the Explanatory Memorandum

global real estate index. The inclusion of AUPF into an index is likely to increase trading liquidity and relevance of units. Index inclusion was a goal outlined in the AOF strategic review described in Sections 3 and 6.1.3.

8.7 Debt facilities and refinancing

Subject to all the conditions precedent of the Proposal being satisfied or waived (as applicable) the AOF debt is intended to be refinanced to form a $600 million debt facility for AUPF.

A preferred banking group has confirmed their commitment to provide the level of debt required, with the same financial covenants as AOF, being a Loan to Value ratio of 50% and Interest Coverage Ratio of 2.0 times. The commitment is subject to a number of conditions that, other than the Proposal proceeding, are anticipated to be satisfied prior to the Meeting. The weighted average debt term to maturity is expected to be 4.5 years with a weighted average cost of debt of 2.4%. The AUPF debt facility pricing will be on better terms than the current DPF debt facility on a standalone basis.

Benefits from scale of the debt facility include a lower cost of capital, as whilst the overall interest expense from a larger quantum of debt will be higher, the rates charged will be lower. Further, since there is a greater quantum of debt financing, the debt facility will be syndicated, allowing AUPF to develop relationships across more banking institutions. Overall, this will likely lead to better financing terms and increase the profitability of AUPF, which may lead to increased distributions to Unitholders.

AUPF's pro-forma gearing at 30 June 2021 is expected to be 38.6%, which is approximately 10% higher than the current gearing of AOF. The increase in gearing reflects the higher relative gearing of DPF and inclusion of pro-forma debt funding for various one-off costs associated with the Proposal, including stamp duty, refinancing costs and other transaction costs. The AUPF pro-forma gearing reduces approximately 4% assuming that 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville are sold prior to implementation[17].

8.8 Board of Directors and senior management

The composition of the AUPF Board will be the same as AOF. Please refer to Section 6.1.6.

The proposed management team will consist of existing AOF and DPF experienced team members, led by Nikki Panagopoulos as Fund manager, who was previously the DPF Fund Manager and recently appointed as the AOF Fund Manager.

Table 34: AUPF Management

Position	AOF	AUPF	Years of experience
Fund Manager	Nikki Panagopoulos	Nikki Panagopoulos	25+
Deputy Fund Manager	N/A	Simon Beake	25+
Portfolio Manager	Simon Beake	Jonathon Senior (DPF)	20+
Senior Asset and Transactions Manager	Tim Kemp-Bishop	Victoria Padey (DPF)	20+
Senior Asset Manager	Giovanna Reale Michael Carabetta	Giovanna Reale Anna Flavell (DPF) Michael Carabetta	20+ 15+ 25+
Asset Manager	N/A	Matthew Mitchell (DPF)	11
Development Manager	Peter Hugh	Peter Hugh	25+

Source: AOF Website, AOF Merger proposal – 20 September 2021

[17] Assumes 32 Phillip Street, Parramatta and 19 Corporate Avenue, Rowville are sold for net proceeds equal to their 30 June 2021 book values

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9 Valuation of AOF and DPF

9.1 Approach

9.1.1 Overview

We have valued AOF, DPF and AUPF, which draws on the standalone market values of AOF and DPF.

Our valuations have been prepared on the basis of 'market value'. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Our valuation has had regard to the additional value resulting from estimated corporate cost savings that would generally be available to the majority of purchasers, both financial and trade buyers. It does not include any other operational or financing synergies that may be only available to a very limited number of potential buyers.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- capitalisation of maintainable earnings (**Capitalised Earnings**)
- discounted cash flow (**DCF**)
- estimated net proceeds from an orderly realisation of assets (**Net Assets**), and
- current trading prices on the relevant securities exchange.

These methodologies are discussed in further detail in Appendix 4. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any. For listed companies, the trading price typically provides an indication of the value of a minority interest where trading is liquid, and no takeover speculation is evident.

9.1.2 Selected methodology

Our valuations of AOF and DPF were determined based on the Net Assets methodology.

Property investment trusts and other asset holding businesses, particularly those which passively hold portfolios of properties, are commonly valued with reference to net asset values. Property investments are reflected on the balance sheet at market value based on cyclical property valuations provided by property valuation specialists. When valuing property investments trusts, it is general market practice for independent experts to adopt this market value as the basis of their assessment in determining an Adjusted NTA.

The Net Assets methodology is appropriate for AOF and DPF as their values lie in their underlying properties and not the ongoing operations of the trusts. The Net Assets methodology requires a valuer to determine the market value of the assets and liabilities at the valuation date, before deducting an allowance for corporate costs incurred to manage the portfolio. This approach represents the market value of the underlying assets, which differs from the net proceeds derived on the winding up of an entity (where Capital Gains Tax (**CGT**) and other wind-up costs may apply).

The values adopted for financial reporting purposes are a single estimate. However, there is a range of possible outcomes that generally exist. In this respect, KPMG Corporate Finance considers it appropriate to include a range of possible outcomes. We have adopted a range +/-2.5% around the valuer's point estimate for each property as a basis for the possible range of property values as at 30 June 2021. We have been conservative with our range, while recognising that a range of possible outcomes may exist. In addition, the selected range recognises that a range of possible outcomes exist, but without being so wide as to make our analysis less meaningful.

9.1.3 Premium or discount to NTA

Consistent with the requirements of RG111, we have assumed 100% ownership in valuing AOF and DPF.

As a matter of principle, for a passive property holding REIT, there should be no "premium for control" above NTA as it is based on independent valuations for each property in the portfolio which are already "control values". There is no higher value for each of these assets as each independent valuation is for 100% of the asset. Nevertheless, a premium to NTA may be appropriate in certain situations, including:

- where property valuations are not current in a rising market
- increases in the value of individual properties since latest valuations
- related operating businesses that contribute to earnings (e.g. third party property management) that are not capital intensive and as such are not fully reflected in NTA (and, in particular, where the acquirer can derive synergies from those operations)
- value inherent in development pipelines providing growth opportunities
- the value of a portfolio in terms of diversification and efficiency (both in time and cost) when compared to accumulating an equivalent portfolio on a piecemeal basis over time. In addition, there is a structural saving (i.e. reduced stamp duty costs) in acquiring a portfolio of properties via the acquisition of a listed REIT
- economies of scale and synergies that can be achieved by the acquirer's existing operations
- larger portfolios of quality properties have scarcity value and may represent a strategic acquisition for some buyers
- where transactions are the outcome of a competitive bidding process and bidders are prepared to accept a lower rate of return.

In other situations, a discount to NTA may be appropriate, for example:

- where property valuations are not current in a declining market
- not all properties in a portfolio may be equally attractive to acquirers and a discount may apply to non-core assets
- material cost synergies are not available (e.g. due to geographic spread of portfolio).

In our assessment of the market value of AOF and DPF, we have considered whether it is appropriate to apply a portfolio premium.

9.1.4 Cross-checks

A-REITs have traditionally been considered bond proxies that investors can switch between based on their risk appetite. Hence, the distribution yield is an important metric in the A-REIT sector.

FFO is a standardised industry metric defined by the Property Council of Australia and is commonly used by A-REITs as a measurement of operating performance.

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As a cross-check to our primary Net Assets methodology, we have applied a capitalisation of earnings method with reference to FFO multiples and distribution yields implied by our primary valuation approach and compared them to those of comparable listed A-REITs and recent transactions involving A-REITs (where applicable).

9.2 Valuation of AOF

9.2.1 Summary

In order to derive the market value of AOF as at 30 September 2021 (the closest month end prior to the Implementation Date), we have used the audited net assets as at 30 June 2021 as a starting point and have made a number of adjustments to determine Adjusted NTA. We have then considered valuation adjustments relating to premium/(discount) to NTA, corporate overheads and transaction costs to determine the value of one AOF Unit. Each of the adjustments is discussed below.

KPMG Corporate Finance has assessed the market value of one AOF Unit to be in the range of $2.47 to $2.73 as set out in the following table.

Table 35: Market value of one AOF Unit

$ million unless otherwise stated	Section reference	Value range	
		Low	High
Property portfolio assets based on independent valuations[1]	9.2.2	622.9	654.8
Other assets / (liabilities) as at 30 June 2021	9.2.3	(194.0)	(194.0)
Net assets as at 30 June 2021		**428.9**	**460.8**
Pro-forma adjustments	9.2.4	(2.3)	(2.3)
FFO from 1 July 2021 to 30 September 2021	9.2.5	7.8	7.8
Distributions from 1 July 2021 to 30 September 2021	9.2.6	(6.2)	(6.2)
Mark-to-market of swaps	9.2.7	0.3	0.3
Adjusted NTA		**428.4**	**460.3**
Premium/ (discount to NTA)	9.2.8	-	-
Capitalised corporate overheads (net of savings)	9.2.9	(20.0)	(10.0)
Transaction costs	9.2.10	(2.0)	(2.0)
Market value of AOF (on a going concern, control basis)		**406.4**	**448.3**
AOF Units on issue (million)[2]		164.4	164.4
Market value of one AOF Unit ($)		**$2.47**	**$2.73**

Source: KPMG Corporate Finance Analysis
Note 1: *Low end of value range reflects a portfolio value (investment properties) that is 2.5% below the independent valuations as at 30 June 2021 and the high end of value range reflects a portfolio value that is 2.5% above the independent valuation as at 30 June 2021.*
Note 2: AOF Units as at 30 September 2021.
Note 3: Amounts may not add due to rounding.

9.2.2 Property portfolio

The market value of the property portfolio as at 30 June 2021 is based on book values for each of AOF's properties which reflect the valuations undertaken by independent valuers as at 30 June 2021. All properties were independently valued as at 30 June 2021.

KPMG Corporate Finance has relied on the independent property valuations for the purposes of its report and did not undertake its own valuations of the properties. KPMG Corporate Finance does not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. KPMG Corporate Finance has undertaken a review of the independent property valuations. In particular, we have, analysed in detail a selection of the valuations, reviewed them for outliers, compared assumptions between valuers and identified the reasons for substantial changes in values over time.

We have concluded that:

- the property valuers were independent of AOF
- the engagement instructions were appropriate and did not limit the scope of the valuations
- the property valuations were completed by reputable valuation companies and by valuers who have the appropriate qualifications in accordance with the standards of the Australian Property Institute, and
- the valuation methods appear to be consistent with those generally applied in the industry (i.e. discounted cash flow, capitalisation of net income and direct comparison method (i.e. value per square metre of net lettable area)), with valuation conclusions selected having regard to the results of each methodology.

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

In addition, we note that the independent property valuations:

- only provide a point estimate of value for the properties, although sensitivity tables are usually provided. We note that cash flows utilised for the purpose of a discounted cash flow analysis are generally long term (10 years) and rely on a number of assumptions (e.g. re-leasing, capital expenditure, capitalisation rates, discount rates, rental growth and incentives)
- were undertaken on a going concern basis in accordance with current use
- assume that the properties are sold on an individual basis (and not sold in one line), and allow for selling costs
- deduct the net present value of unexpired tenant incentives, and
- incorporate property management fees in relation to each property net of the recovery of these costs from tenants.

On this basis, KPMG Corporate Finance considers that the independent property valuations are reasonable and therefore appropriate for use in a Net Assets valuation methodology. In addition, the AOF property valuations were subject to review by AOF's auditors as at 30 June 2021 for the purposes of inclusion in the financial statements of AOF.

Changes since 30 June 2021

Based on discussions with Management and letters received from the independent property valuers for certain assets, there have been no changes in the assessed market value of AOF's properties between 30 June and 30 September 2021.

Given the short time that has elapsed since 30 June 2021 and the nature of the assets being valued (i.e. passive investments in office property assets for which there is no liquid market), we consider it reasonable to assume that there has been no material change in the market value of these assets since they were valued.

As discussed in Section 9.1.2, we have adopted a range +/-2.5% around the independent property valuer's point estimate for each property as a basis for the possible range of property values as at 30 September 2021.

9.2.3 Other assets/ (liabilities)

We have reviewed the book value of the other assets and liabilities as at 30 June 2021 and believe that the book values are representative of their market value. Based on discussions with Management and noting some of the adjustments we make below, other assets and liabilities have not changed materially in the period since 30 June 2021.

9.2.4 Pro-forma adjustments

In July 2021, AOF purchased a property at 96 York Street, Beenleigh, for $33.5 million which is not reflected in the net assets as at 30 June 2021, as settlement is expected to occur in January 2022.

The asset acquisition will be funded by debt of $35.8 million (including stamp duty and other acquisition costs).

The acquisition of 96 York Street is expected to impact AOF's financial position as follows:

- an increase in investment properties of $33.5 million
- an increase in borrowings of $35.8 million.

The net impact of the above is a decrease in the net asset position of AOF of $2.3 million.

9.2.5 FFO

NTA as at 30 June 2021 does not reflect profit or distributions for the period from 1 July 2021 to the Implementation Date. As per the MID, AOF Unitholders are entitled to all profits over this period. As such, we have added earnings from 1 July 2021 to 30 September 2021 and deducted the distributions over this period (refer to Section 9.2.6 below).

AOF generated FFO of $7.8 million from 1 July 2021 to 30 September 2021 (which is relatively consistent with its full year FY22 FFO guidance of 18.0 cpu to 18.5 cpu). This amount has been added in calculating Adjusted NTA.

9.2.6 Distributions

On 15 October 2021, AOF paid distributions of 3.80 cpu for the period from 1 July 2021 to 30 September 2021. The final distribution was in line with the distributable earnings guidance of 3.80 cpu announced in September 2021. An amount of $6.2 million has been deducted in calculating Adjusted NTA.

Table 36: AOF distributions from 1 July 2021 to 30 September 2021

$m unless otherwise stated	Value
AOF distribution per AOF Unit (from 1 July 2021 to 30 September 2021) in cents	3.8
Number of AOF Units on issue (million)	164.4
Total distributions	**6.2**

Source: ASX announcements, KPMG Corporate Finance Analysis.

9.2.7 Mark-to-market of swaps

Fair value movement of the mark-to-market valuation of interest rate swaps of $0.7 million as at 30 September 2021 compared to $1.0 million as at 30 June 2021. This adjustment results in an increase in the net asset position of AOF of $0.3 million.

9.2.8 Premium/ (discount) to NTA

We have considered whether it is appropriate to apply a premium to AOF's Adjusted NTA.

Specific attributes of AOF's portfolio

There are certain factors that indicate a premium to Adjusted NTA may be appropriate in the case of AOF based on the following:

- AOF has a portfolio of eight office properties in key metropolitan and CBD markets, with diversification across five Australian states, including SA, NSW, VIC, ACT and QLD

- the costs avoided by a potential buyer (in particular stamp duty) and the time saved with replicating a portfolio of eight properties with a market value of approximately $638.9 million based on valuations as at 30 June 2021.

However, there are factors present within AOF that limit the amount of premium, being:

- AOF, is a passive, externally managed A-REIT with no operating business or third-party mandates
- all property valuations are recent and have been prepared on a control basis
- AOF's short WALE of 2.4 years as at 30 June 2021, with 59.1% of leases expiring during FY22 and FY23 and 4.3% of vacancies. Actual re-leasing may be more or less favourable than re-leasing assumptions applied by independent property valuers
- AOF's development pipeline is currently limited to 2 Valentine Avenue, Parramatta and the current valuation includes value attributable to the current stage of the development
- KPMG Corporate Finance's assessed market value of AOF already reflects substantial cost savings (in the order of 50% to 75%) discussed in Section 9.2.9 below.

On balance, the specific attributes of AOF indicate that it is unlikely that an additional premium is appropriate.

Transaction evidence

Set out in Appendix 6 is analysis of the premium/ (discount) to NTA paid in recent transactions involving office specific A-REITs. These transactions indicate a premium/ (discount) in the range of (2.5%) to 2.2% to NTA for an office specific A-REIT[18].

Share market evidence

Set out in Appendix 6 is analysis of the premium/ (discount) to NTA exhibited by ASX listed office specific A-REITs over the period from 31 December 2018 to 30 September 2021. As at 30 September 2021, Office A-REITs traded, on average, at a slight discount of 1.8%.

Whilst all sectors have experienced a level of recovery since the inception of the COVID-19 pandemic in March 2020, the level of recovery appears to be the slowest amongst office REITs largely due to the enduring effects of 'work from home' mandates, potential for abatements, rent reductions as well as uncertainty regarding property values.

Conclusion

Taking into consideration the specific attributes of AOF's portfolio and transaction and share market evidence of premiums / (discounts) to NTA, we are of the view that it is not appropriate to apply an additional premium to AOF's Adjusted NTA.

9.2.9 Capitalised corporate overheads

Adjusted NTA does not reflect the ongoing overhead costs that are required to support the management of a portfolio such as that of AOF. Corporate overheads are a cost of AOF's operating structure and include:

- responsible entity and management fees
- other trust expenses, mainly relating to directors, advisors, custodian, accounting, audit and other compliance and administration costs.

[18] This range excludes outliers, as detailed in Appendix 6.

The independent property valuations reflect only costs associated with the management of the properties and do not reflect any corporate overhead costs. We therefore consider it appropriate to further adjust the Adjusted NTA value to deduct the capitalised value of these costs.

We have determined ongoing corporate costs of $5.5 million per annum based on the following assumptions:

- responsible entity and management fees of $4.0 million, in accordance with historical costs incurred and based on the existing management arrangement in place (0.60% of the fund's GAV)
- other trust expenses of $1.5 million, in accordance with historical costs incurred.

Given our valuation assessment is on a 100% and control basis, we have considered whether a pool of potential purchasers may achieve any savings in relation to these costs. The quantum and extent to which such savings may be realised is inherently uncertain and may vary based upon both the different types of potential acquirers and the circumstances of individual potential acquirers.

Any acquirer of 100% of AOF with an existing funds management platform in Australia could likely save substantial costs. In recent transactions involving A-REITs, independent experts have assumed a level of cost savings on the basis that there is a pool of potential acquirers that have an existing funds management platform in Australia.

On this basis we have assumed an optimal (as opposed to actual) cost structure with residual corporate overheads in the range of $1.4 million to $2.8 million per annum, reflecting net cost savings of 50% to 75%. We have capitalised the residual overheads at a multiple of 8 times which is consistent with multiples typically applied for costs of this nature for A-REITS.

We have assessed a value of capitalised costs to be in the range of $10.0 million to $20.0 million as set out in the following table. This amount has been deducted from the Adjusted NTA.

Table 37: AOF capitalised overhead costs

$m unless otherwise stated	Low	High
Estimated corporate overheads (net of savings)	2.8	1.4
Capitalisation multiple (times)	8.0	8.0
Calculated capitalised overhead costs	**22.0**	**11.0**
Selected capitalised overhead costs	**20.0**	**10.0**

Source: KPMG Corporate Finance Analysis.

9.2.10 Transaction costs

Regardless of the outcome of the Proposal, AOF is likely to incur transaction costs of approximately $2.0 million including legal fees, compliance fees, advisor fees and other costs. These costs have been deducted from the Adjusted NTA.

9.2.11 Valuation cross-checks

As a cross-check to our primary Net Assets methodology, we have applied a Capitalised Earnings method with reference to FFO multiples and distribution yields implied by our primary valuation and compared them to those of comparable listed A-REITS and recent transactions involving A-REITs.

Our assessed value per AOF Unit of $2.47 to $2.73 implies the following historical (FY21) and forecast (FY22) FFO multiples and distribution yields.

Table 38: AOF implied multiples cross-check

Implied metrics	Section reference	Parameter (per AOF unit)	Value range	
			Low	High
Value per AOF Unit			**$2.47**	**$2.73**
FY21 FFO multiple (times)	6.6	18.7¢	13.2x	14.6x
FY22 FFO multiple (times)	6.6	18.4¢	13.4x	14.8x
FY21 distribution yield	6.6	15.0¢	6.1%	5.5%
FY22 distribution yield	6.6	15.2¢	6.1%	5.6%

Source: KPMG Corporate Finance Analysis

Comparable transactions

There are a number of recent transactions involving sector specific A-REITS that focus on passive investments in office properties. These transactions occurred at a forecast exit yield in the range of 3.6% to 8.1% and a forecast FFO multiple in the range of 12.8 times to 20.9 times and are summarised in the following table.

Table 39: Comparable transactions

Date[1]	Target	Consideration ($ million)	Exit yield		FFO multiple
			Historical	Forecast	
Jun 2019	Australian Unity Office Fund	95.6	5.3%	5.4%	17.2
Sep 2018	Investa Office Fund	3,016	3.6%	3.6%	18.3
Apr 2017	Centuria Urban REIT[2]	27.2	9.1%	8.1%	na
Mar 2017	Brookfield Prime Property Fund	310.0	2.9%	na	na
Jun 2016	GPT Metro Office Fund	321.3	6.1%	6.2%	20.9
Dec 2013	CPOF	2,910.0	5.3%	5.0%	12.8
Jan 2012	Charter Hall Office REIT	1,228.4	na	5.9%	14.0
Apr 2010	Westpac Office Trust	417.0	7.7%	7.7%	na
Low		**27.2**	**2.9%**	**3.6%**	**12.8**
High		**3,016.0**	**9.1%**	**8.1%**	**20.9**
Mean		**1,040.7**	**5.7%**	**6.0%**	**16.6**
Median		**369.2**	**5.3%**	**5.9%**	**17.2**

Source: S&P Capital IQ, Company announcements, Financial statements, IER Reports, Analyst reports and KPMG Corporate Finance Analysis.
na: not available
Note 1: Date of announcement.
Note 2: Merger of Centuria Urban REIT and Centuria Metropolitan REIT.

We note the following regarding the comparable transactions:

- the implied transaction multiples and yields may incorporate various levels of control premium and special values paid by the acquirers. In particular, the multiples may reflect synergies paid which are unique to the acquirers
- the transactions took place between April 2010 and June 2019. Economic and market factors, including competition dynamics and property prices may be materially different from those as at the Implementation Date. In particular, we note that since March 2020, the economy has been significantly affected by COVID-19 with certain sectors, such as office, more materially affected than others as a result of changing socioeconomic factors
- the AOF transaction in June 2019 reflect the acquisition of a minority strategic interest of 19.9%
- Investa Office Fund's (IOF) relatively high forecast FFO multiple (18.3 times) and low distribution yield (3.6%) are likely reflective of its exposure to the stronger performing Sydney and Melbourne CBD office markets at the time of the transaction and low exposure to the underperforming Brisbane and Perth markets. In addition, the low yield reflects the highly competitive nature of the acquisition with competing bids from Oxford Properties and Blackstone
- Centuria Urban's relatively high forecast yield (8.1%) is likely reflective of the nature of its portfolio at the time of the transaction, which was comprised of three A-grade suburban office properties (two in Brisbane

and one in Melbourne). Centuria Urban's strategy was to acquire high quality, well leased suburban office properties

- Brookfield Prime Property had interests in three A grade office buildings of which two were in Sydney and one in Perth. The low exit yield (2.9%) is distorted by its very low payout ratio (16% of EPS in FY17) and high management fee structure. In addition, circa 47% of Brookfield's book value was up for renewal in December 2016
- GPT Metro Office Fund's portfolio was comprised of six A grade metropolitan and busines park office properties located in Sydney, Melbourne and Brisbane. At the time of the transaction, Sydney and Melbourne property markets were in the midst of a long bull-run with property prices having achieved strong growth over the previous five years. The transaction occurred at a relatively high FFO multiple (20.9 times) and forecast distribution yield (6.2%) despite a competitive bidding process given the portfolio concentration to Sydney Olympic Park (55% of book value) and 29% of the portfolio located in the underperforming Brisbane market
- the acquisition of Commonwealth Property Office Fund occurred at a relatively low forecast yield (5.0%), likely reflecting that the transaction occurred as part of a competitive bidding process
- Charter Hall Office Fund's portfolio had a high share of premium grade properties, likely reflecting its relatively higher yield (5.9%)
- the high yield (7.7%) for Westpac Office Trust likely reflects that the transaction occurred during a weaker stage of the property cycle and was over geared.

Conclusion

AOF's implied forecast FFO multiples of 13.4 to 14.8 times fall within the range of the transaction evidence, albeit at the low end.

AOF's implied forecast distribution yield of 5.6% to 6.1% are relatively consistent with the mean (5.7%) and median (5.3%) of the transaction evidence.

On that basis, we consider the implied FFO multiples and distribution yields support our value range per AOF Unit.

Comparable companies

We have also cross-checked our value range per AOF Unit by comparing the key value metrics implied by our valuation (FFO and distribution yields) against those exhibited by AOF's ASX listed A-REIT peers.

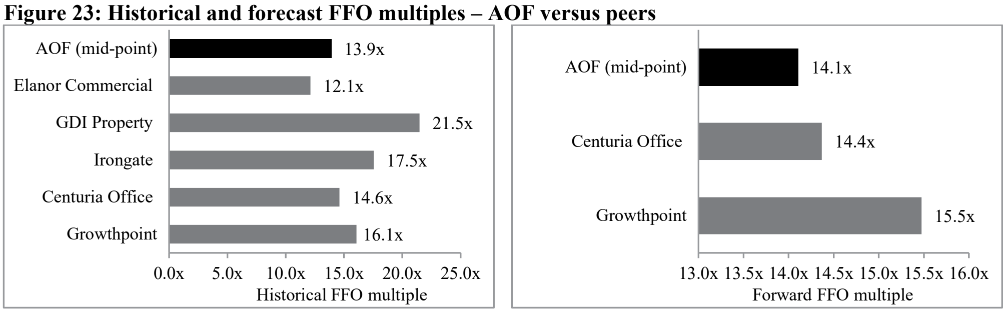
There are no A-REITs that are directly comparable to AOF. However, we have set out in Appendix 5 the trading evidence of A-REITs primarily focused on investing in office property assets.

We consider Growthpoint Properties, Centuria Office, Irongate, GDI Property Group and Elanor Commercial Property Fund to be the most relevant as they are all REITs with exposure to the office sector and exhibit a relatively short WALE (2.6 years to 6.2 years, with an average of 4.4 years).

We have compared the metrics implied by our assessed valuation mid-point value per AOF Unit to those of the above mentioned A-REITs. We note that these multiples typically do not reflect the market value for control of a company as they are based on the value of a minority interest.

Historical and forecast FFO multiples

Figure 23: Historical and forecast FFO multiples – AOF versus peers



Source: Capital IQ, KPMG Corporate Finance Analysis.

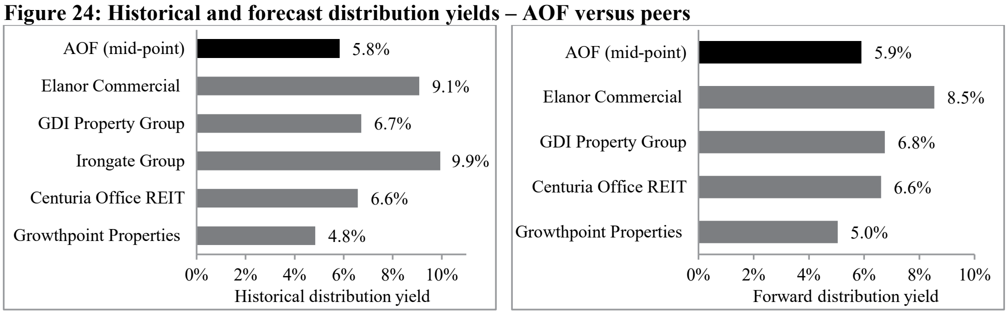
Note: Forecast FFO multiples only include A-REITs for which consensus FFO forecasts are available.

The historical FFO multiples implied by our valuation range (13.2 times to 14.6 times) are within the range of AOF's A-REITs of 12.1 times to 21.5 times (on a minority basis), albeit at the low end.

The forecast FFO multiples implied by our valuation range (13.4 times to 14.8 times) are relatively consistent with the only two observations available of 14.4 times (Centuria Office) and 15.5 times (Growthpoint).

Historical and forecast distribution yields

Figure 24: Historical and forecast distribution yields – AOF versus peers



Source: Capital IQ, KPMG Corporate Finance Analysis.

Note: Forecast distribution yields only include A-REITs for which consensus distribution forecasts are available.

The historical (5.5% to 6.1%) and forecast (5.6% to 6.1%) distribution yields implied by our valuation range are within the range exhibited by AOF's A-REITs peers (on a minority basis), albeit at the low-end.

Conclusion

Having regard to the above considerations, we consider the implied FFO multiples and distribution yields support our value range per AOF Unit.

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9.3 Valuation of DPF

9.3.1 Summary

In order to derive the market value of DPF as at 30 September 2021, we have adopted the same method as that outlined for AOF above. However, there are adjustments specific to DPF, including net equity raised from 1 July 2021 to 30 September 2021. Each of the adjustments is discussed below.

KPMG Corporate Finance has assessed the market value of one DPF Unit as at 30 September 2021 to be in the range of $1.05 to $1.18 as set out in the following table.

Table 40: Market value of one DPF Unit

$ million unless otherwise stated	Section reference	Value range Low	High
Property portfolio assets based on independent valuations[1]	9.3.2	555.6	584.1
Other assets / (liabilities) as at 30 June 2021	9.3.3	(232.8)	(232.8)
Net assets as at 30 June 2021		**322.8**	**351.3**
Pro-forma adjustments	9.3.4	2.0	3.0
Net equity raised from 1 July 2021 to 30 September 2021	9.3.5	5.3	5.3
FFO from 1 July 2021 to 30 September 2021	9.3.6	3.8	3.8
Distributions from 1 July 2021 to 30 September 2021	9.3.7	(4.4)	(4.4)
Other costs	9.3.8	(0.5)	(0.5)
Adjusted NTA		**329.0**	**358.5**
Premium/ (discount to NTA)	9.3.9	-	-
Capitalised corporate overheads (net of savings)	9.3.10	(20.0)	(10.0)
Transaction costs	9.3.11	(2.7)	(2.7)
Market value of DPF (on a going concern, control basis)		**306.3**	**345.8**
DPF Units on issue (million)[2]		292.3	292.3
Market value of one DPF Unit ($)		**$1.05**	**$1.18**

Source: KPMG Corporate Finance Analysis
Note 1: Low end of value range reflects a portfolio value (investment properties) that is 2.5% below the independent valuations as at 30 June 2021 and the high end of value range reflects a portfolio value that is 2.5% above the independent valuation as at 30 June 2021.
Note 2: DPF Units as at 30 September 2021.
Note 3: Amounts may not add due to rounding.

9.3.2 Property portfolio

The market value of the property portfolio as at 30 June 2021 is based on book values for each of DPF's properties which reflect the valuations undertaken by independent valuers as at 30 June 2021 or within six months thereof. DPF's portfolio is comprised of 10 properties, of which six were independently valued as at 30 June 2021, one as at 21 May 2021 (Wyong Twin Service Centres, Wyong), one in early April 2021 (1& 2 Technology Place, Williamtown) and two in February 2021 (Busselton Central and Woodvale Boulevard Shopping Centres).

We also note that the DPF property valuations were subject of review by DPF's auditors as at 30 June 2021 for the purposes of inclusion in the financial statements of DPF.

KPMG Corporate Finance has relied on the independent property valuations for the purposes of its report and did not undertake its own valuations of the properties. KPMG Corporate Finance does not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. KPMG Corporate Finance has undertaken a review of the independent property valuations. We performed similar procedures to those undertaken for AOF's portfolio (refer to Section 9.2.2 for further details).

Changes since 30 June 2021

Since 30 June 2021, the following independent property valuations were updated:

- Dog Swamp Shopping Centre: the independent property valuer updated their valuation assessment to 30 September 2021 and concluded a valuation that is consistent with that of 30 June 2021
- Woodvale Boulevard Shopping Centre: the independent property valuer updated their valuation assessment to 31 July 2021 and identified a small uplift in value of circa 1.9% compared to the previous valuation at 21 February June 2021
- Busselton Central Shopping Centre: the independent property valuer updated their valuation assessment to 31 July 2021 and identified a small uplift in value of circa 0.3% compared to the previous valuation at 21 February 2021. The valuation update at 31 July 2021 assessed approximately 86% of the total value of the properties. However, based on discussions with Management, the value of the remaining lots is not expected to materially change since the previous valuation
- North Blackburn Shopping Centre: the independent property valuer updated their valuation assessment to 30 September 2021. The valuer adopted a valuation of $88.0 million at 30 September 2021, reflecting capital expenditure of $9.0 million incurred since the previous valuation carried out at 30 June 2021 of $79.0 million
- 1& 2 Technology Place, Williamtown: whilst the property was last valued in April 2021, Management has obtained representations from the independent valuer confirming that the valuation at April 2021 still applied at 30 June 2021 and that it is not expected to materially change since 30 June 2021.

Since 30 June 2021, DPF has incurred capital expenditure of approximately $10 million, mainly in relation to the North Blackburn Shopping Centre (noted above). This capital expenditure was fully funded by DPF's debt facilities, which increased by the same amount ($10 million) since 30 June 2021 and hence the impact on DPF's NTA is neutral as at 30 September 2021.

Other than the Rowville property discussed below, based on discussions with Management, there have been no other changes in the market value of DPF's other properties as at 30 September 2021. Given the short time that has elapsed since the previous valuation (30 June 2021) and the nature of the assets being valued (i.e. passive investments in property assets for which there is no liquid market), we consider it reasonable to assume that there has been no material change in the market value of these assets since they were last valued.

Consequently, we have not made any adjustments to DPF's portfolio as at 30 September 2021.

As discussed in Section 9.1.2, we have adopted a range +/-2.5% around the independent property valuer's point estimate for each property as a basis for the possible range of property values as at 30 September 2021.

9.3.3 Other assets/ (liabilities)

We have reviewed the book value of the other assets and liabilities as at 30 June 2021 and believe that the book values are representative of their market value. Based on discussions with Management and noting some of the adjustments we make below, other assets and liabilities have not changed materially in the period since 30 June 2021.

9.3.4 Pro-forma adjustments

The Rowville property is expected to be sold and settled in January 2022. We have made a pro-forma adjustment of $2.0 million to $3.0 million to reflect offers received during the competitive bidding process. Our assessment includes a probability contingency allowance to cater for both sale costs and execution risk regarding completion of the transaction.

9.3.5 Net equity raised

DPF raised net equity of $5.3 million from 1 July 2021 to 30 September 2021, reflecting applications and reinvestments, net of redemptions made over this period. The number of DPF Units as at 30 September 2021 (292.3 million) reflects the corresponding increase in the number of DPF Units on issue within the fund.

9.3.6 FFO

NTA as at 30 June 2021 does not reflect profits or distributions for the period from 1 July 2021 until the Implementation Date. As per the MID, DPF Unitholders are entitled to all profits over this period. As such we consider that it is appropriate to add operating earnings from 1 July 2021 to 30 September 2021 and deduct the expected distributions over this period (refer to Section 9.3.7 below).

DPF generated FFO of $3.8 million from 1 July 2021 to 30 September 2021, which has been added in arriving at Adjusted NTA.

9.3.7 Distributions

DPF paid distributions of $4.4 million for the period from 1 July 2021 to 30 September 2021 which has been deducted in calculating Adjusted NTA.

9.3.8 Other costs

We have deducted $0.5 million from DPF's Adjusted NTA to allow for one-off legal costs.

9.3.9 Premium/ (discount) to NTA

We have considered whether it is appropriate to apply a premium to DPF's Adjusted NTA.

Specific attributes of DPF's portfolio

There are certain factors that indicate a premium to Adjusted NTA may be appropriate in the case of DPF based on the following:

- DPF has a portfolio of 10 properties with overall sector diversification (convenience retail, office, infrastructure retail and industrial) including significant exposure (39%) to the strong performing convenience retail sector
- the portfolio is diversified across four Australian states, including NSW, VIC, WA and SA
- the costs avoided and the time saved with replicating a diversified portfolio of 10 properties with a market value of approximately $569.9 million based on valuations as at 30 June 2021
- DPF's long WALE of 8.2 years as at 30 June 2021
- DPF has several development opportunities, although DPF requires access to capital to advance these (Refer to Section 7.2.5 for further details).

However, there are factors present within DPF that limit the amount of premium, being:

- DPF, is a passive, externally managed A-REIT with no operating business or third-party mandates
- all property valuations are recent and have been prepared on a control basis
- near term distribution growth may be curtailed by significant capital expenditure requirements over the next few years and will need to be partially funded by additional borrowings
- KPMG Corporate Finance's assessed market value of DPF already reflects substantial cost savings (in the order of 50% to 75%). Refer to Section 9.3.10 for further details.

On balance, the specific attributes of DPF indicate that it is unlikely that an additional premium is appropriate.

Transaction evidence

We have not identified any recent transactions involving A-REITS that exhibit characteristics that are directly comparable to DPF's portfolio.

Share market evidence

Set out in Appendix 6 is our analysis of the premium/ (discount) to NTA exhibited by ASX listed A-REITs over the period from 31 December 2018 to 30 September 2021. We had particular regard to A-REITs that are exposed to the convenience retail, office and industrial sectors.
As at 30 September 2021, we observed the following premiums/(discounts) to NTA:

- Industrial REITs demonstrated the strongest performance and traded, on average, at a premium of 8.8% to NTA
- Convenience retail REITs traded, on average, at a slight premium of 0.7% to NTA
- Diversified REITs traded, on average, at a small discount of 1.9% to NTA
- Office REITs traded, on average, at a slight discount of 1.8% to NTA.

Whilst all sectors have experienced a level of recovery since the inception of COVID-19, all sectors (excluding the industrial sector) are still trading at a relatively small discount or premium to NTA. We note that DPF has limited direct exposure (3%) to the industrial sector.

Conclusion

Taking into consideration the specific attributes of DPF's portfolio and share market evidence of premiums / (discounts) to NTA, we are of the view that it is not appropriate to apply an additional premium to DPF's Adjusted NTA.

9.3.10 Capitalised corporate overheads

Corporate overheads apply to DPF in the same way as they apply to AOF, with similar potential for savings.

We have determined ongoing corporate costs of $5.0 million per annum based on the following assumptions:

- responsible entity and management fees of $4.0 million, in accordance with historical costs incurred and based on the existing management arrangement in place (0.65% of the fund's GAV)
- other trust expenses of $1.0 million, in accordance with historical costs incurred.

We assumed a level of cost savings on the basis that there is a pool of potential acquirers that have an existing funds management platform in Australia. On this basis we have assumed an optimal (as opposed to actual) cost structure with residual corporate overheads in the range of $1.3 million to $2.5 million per annum, reflecting net cost savings of 50% to 75%. We have capitalised the residual overheads at a multiple of 8 times which is consistent with multiples typically applied for costs of this nature for A-REITS.

We have assessed a value of capitalised costs to be in the range of $10.0 million to $20.0 million as set out in the following table. This amount has been deducted from the Adjusted NTA.

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Table 41: DPF capitalised overhead costs

$m unless otherwise stated	Low	High
Estimated corporate overheads (net of savings)	2.5	1.3
Capitalisation multiple (times)	8.0	8.0
Calculated capitalised overhead costs	**20.0**	**10.0**
Selected capitalised overhead costs	**20.0**	**10.0**

Source: KPMG Corporate Finance Analysis.

9.3.11 Transaction costs

Regardless of the outcome of the Proposal, DPF is likely to incur transaction costs of approximately $2.7 million including legal fees, compliance fees, advisor fees and other costs. These costs have been deducted from the Adjusted NTA.

9.3.12 Valuation cross-checks

As a cross-check to our primary Net Assets methodology, we have applied a Capitalised Earnings method with reference to FFO multiples and distribution yields implied by our primary valuation and compared them to those of comparable listed A-REITS.

Our assessed value per DPF Unit of $1.05 to $1.18 implies the following historical (FY21) and forecast (FY22) FFO multiples and distribution yields.

Table 42: DPF implied multiples cross-check

Implied metrics	Section reference	Parameter (per DPF unit)	Value range	
			Low	High
Value per AOF unit			**$1.05**	**$1.18**
FY21 FFO multiple (times)	7.6	5.6¢	18.7x	21.1x
FY22 FFO multiple (times)	7.6	5.8¢	18.1x	20.4x
FY21 distribution yield	7.6	10.1¢	9.6%	8.5%
FY22 distribution yield	7.6	5.7¢	5.4%	4.8%

Source: KPMG Corporate Finance Analysis

Comparable transactions

We have not identified any recent transactions involving A-REITS that exhibit characteristics that are directly comparable to DPF's portfolio.

Comparable companies

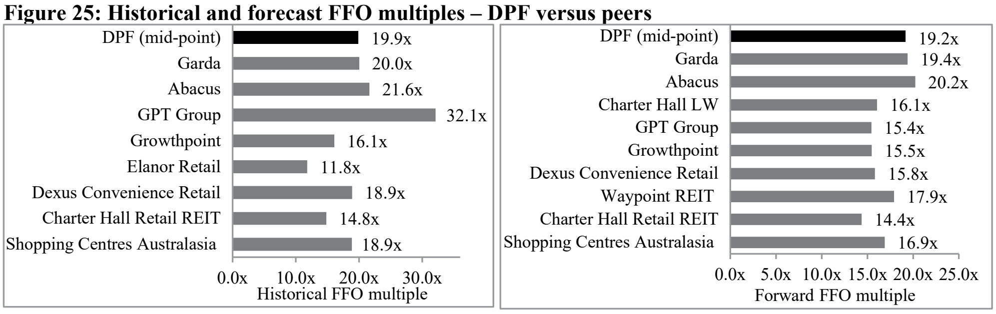
We have cross-checked our value range per DPF Unit by comparing the key value metrics implied by our valuation (FFO and distribution yields) against those exhibited by DPF's ASX listed A-REITs peers.

There are no A-REITs that are directly comparable to DPF. However, we have set out in Appendix 5 the trading evidence relating to a number of A-REITs that are exposed to the convenience retail, office and industrial sectors and A-REITs that exhibit relatively long WALE profiles.

We consider Shopping Centres Australasia, Charter Hall Retail REIT, Waypoint REIT, Dexus Convenience Retail REIT, Elanor Retail, Growthpoint, GPT Group, Charter Hall Long WALE REIT (**Charter Hall LW**), Abacus Property Group and Garda Property Group to be the most relevant as they have some exposure to the convenience retail, office and industrial sectors and exhibit relatively long WALE profiles (3.9 years to 13.2 years, with a mean of 7.5 years).

We have compared the metrics implied by our assessed valuation mid-point valuer per DPF Unit to those of the above-mentioned A-REITs. We note that these multiples typically do not reflect the market value for control of a company as they are based on the value of a minority interest.

Figure 25: Historical and forecast FFO multiples – DPF versus peers



Source: Capital IQ, KPMG Corporate Finance Analysis.

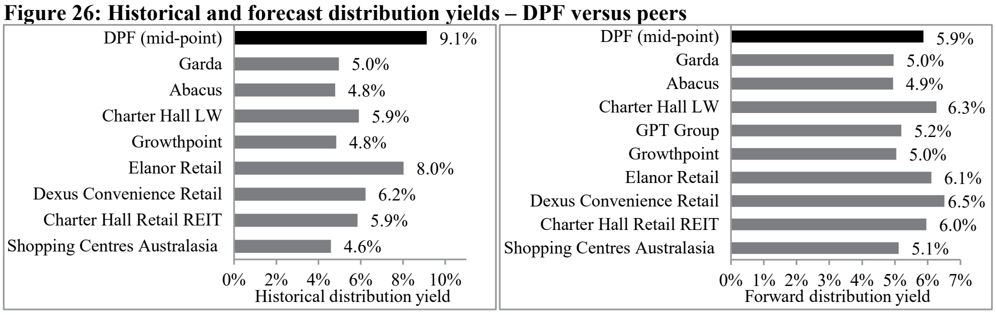
Note: Forecast FFO multiples only include A-REITs for which consensus FFO forecasts are available.

The historical FFO multiples implied by our valuation range (18.7 times to 21.1 times) are within the range of DPF's A-REITs peers (11.8 times to 32.1 times, on a minority basis) and relatively consistent with the mean (19.3 times) and median (18.9 times).

The forecast FFO multiples implied by our valuation range (18.1 times to 20.4 times) are at the high-end of the range of DPF's A-REITs peers (14.4 times to 20.2 times). DPF's implied forecast multiples appear reasonable having regard to the nature of its portfolio: significant exposure to the strong performing convenience retail sector (39%), the long WALE profile (8.2 years), high occupancy rate (98.5%) and its development opportunities (e.g. North Blackburn and Busselton Central Shopping Centres).

Historical and forecast distribution yields

Figure 26: Historical and forecast distribution yields – DPF versus peers



Source: Capital IQ, KPMG Corporate Finance Analysis.
Note: Forecast distribution yields only include A-REITs for which consensus distribution forecasts are available.

The historical distribution yields implied by our valuation range (8.5% to 9.6%) are above the range exhibited by DPF's A-REITs peers (4.6% to 8.0%, on a minority basis). DPF's implied historical multiples are not unreasonable given DPF's significantly higher distributions in FY21, including a special distribution of 4.5 cpu following a gain realised on the sale of 278 Orchards Road, Richlands.

The forecast distribution yields implied by our valuation range (4.8% to 5.4%) are relatively consistent with the yields of DPF's ASX listed A-REIT peers (4.9% to 6.5%, on a minority basis).

Conclusion

Having regard to the above considerations, we consider the implied FFO multiples and distribution yields support our value range per DPF Unit.

10 Valuation of AUPF

10.1 Summary

We have estimated the market value of the AUPF, by aggregating the market value of AOF and DPF, net of Proposal adjustments.

KPMG Corporate Finance has assessed the market value of one AUPF Unit as at 30 September 2021 to be in the range of $2.38 to $2.68 as set out in the following table.

Table 43: Market value of one AUPF Unit

$ million unless otherwise stated	Section reference	Value range Low	Value range High
Market value of AOF on a stand-alone basis	9.2.1	406.4	448.3
Market value of DPF on a stand-alone basis	9.3.1	306.3	345.8
Combined market value of AOF and DPF, pre-Proposal		**712.7**	**794.1**
Proposal adjustments			
Sale of DPF's units in AOF	10.2	(25.3)	(25.3)
Premium/ (discount) to NTA	10.3	-	-
Proposal costs	10.4	(17.5)	(17.5)
Synergies	10.5	15.0	20.0
Market value of AUPF (on a going concern, control basis)		**684.9**	**771.3**
AUPF Units on issue (million)[1]		287.7	287.7
Market value of one AUPF Unit ($)		**$2.38**	**$2.68**

Source: KPMG Corporate Finance Analysis
Note 1: AUPF Units as at 30 September 2021 based on: 164.4 million AOF Units on issue as at 30 September 2021 and 123.3 million new AOF Units issued. New AOF Units of 123.3 million were calculated based on: (i) the Merger Ratio of 0.4550 AOF Units for every DPF Unit; and (ii) 292.3 million DPF Units on issue as at 30 September 2021, minus the redemption of 21.3 million DPF Units prior to the Implementation Date following the cash payment of the Capped Withdrawal Facility to DPF unitholders opting to cash out their holdings.
Note 2: Amounts may not add due to rounding

10.2 Sale of DPF's units in AOF

DPF holds a 5.90% interest in AOF with a book value of $25.3 million as at 30 June 2021[19].

As part of the Proposal, DPF's Units in AOF will be sold to Australian Unity Group Member (an entity related to both AOF and DPF) between the Effective Date and the Implementation Date at a sale price equal to the pro-forma AUPF NTA per unit of $2.56.

The proceeds from the sale of AOF Units ($24.8 million) are expected to be used to fund the cash payment of the Capped Withdrawal Facility to DPF Unitholders opting to cash out their holdings prior to the Implementation Date. Management anticipates that the facility will be fully subscribed. The Capped Withdrawal Facility is expected to result in the redemption of Units in DPF. This is reflected as a decrease in financial assets (i.e. investment in AOF), as well as a corresponding decrease in the number of DPF Units on issue within the fund.

Accordingly, in calculating the value of the Merged Group we have deducted $25.3 million relating to DPF's interest in AOF (representing the expected proceeds on disposal of $24.8 million and an associated loss on

[19] DPF's investment in AOF was fair valued as at 30 June 2021.

disposal of $0.5 million). The number of AUPF Units as at 30 September 2021 reflects the corresponding decrease in DPF Units on issue.

10.3 Premium/ (discount) to NTA

We have not included an additional premium in determining the value of AUPF as our market values of AOF and DPF on a stand-alone basis already consider this adjustment. Furthermore, our assessed market value of AOF and DPF already reflects substantial cost savings to corporate overheads.

10.4 Proposal costs

Transaction costs total approximately $17.5 million and mainly include stamp duty costs, advisor fees, legal fees and compliance fees. These Proposal costs do not include the transaction costs that will be incurred by AOF and DPF regardless of the outcome of the Proposal as these have already been factored in our market value of AOF and DPF on a standalone basis.

10.5 Synergies

AOF and DPF management estimate that the Proposal, if implemented, will generate significant additional cost savings over time. We have estimated the risk-adjusted value of capitalised synergies to be approximately $15 million to $20 million. Based on discussions with AOF and DPF management, and disclosures made in public announcements, we understand that the key components of the cost synergies include:

- DPF and AOF fee structure: if the Proposal is implemented, DPF will incur lower base management fees (0.65% of GAV compared to 0.60% of GAV) and no performance or asset acquisition fees. Furthermore, on a combined basis, AOF will also incur lower base management fees (0.55% of GAV above $750 million)
- DPF's lower cost of debt funding: the Proposal, if implemented, will provide an opportunity to refinance DPF's existing debt facilities at a lower cost of debt.

11 AOF's share price post-announcement

As a check of our value per AUPF Unit, we have considered the trading in AOF Units since the announcement of the Proposal (20 September 2021[20]) and broker commentary.

We are of the view that the traded market price post announcement of the Proposal represents an indicative value of an AOF Unit, based on the following considerations:

- AOF is listed on the ASX, where it actively trades
- there are no restrictions on trading in AOF which prevent sufficient trading (on a day-to-day basis) to produce an unbiased unit price
- in the 12 months prior to the announcement of the Proposal, the average AOF volume traded was approximately 27% of the issued capital, at an average volume of 0.17 million units traded per day, with a daily value of approximately $0.38 million
- AOF is subject to continuous disclosure obligations and releases half-yearly activity reports to the market
- AOF is mainly followed by two brokerage firms.

The chart below illustrates AOF's daily VWAP after the announcement of the Proposal.

[20] Date of the formal announcement of the Proposal including the Merger Ratio.

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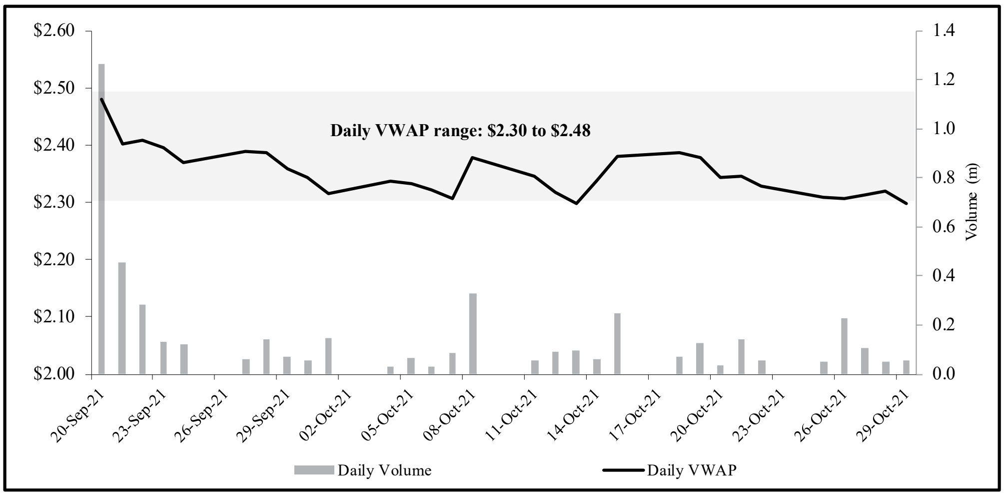
Figure 27: AOF VWAP post announcement of the Proposal



Notes: Shaded area indicates daily traded VWAP range over the period
Source: Capital IQ, KPMG Corporate Finance Analysis.

Recognising that the Proposal of AOF and DPF has been recommended by the boards of both companies, we would expect the post-announcement traded unit price of AOF would be influenced by the market's perception of the risks and benefits of the Proposal and the impact of market factors in the property sector. In this regard, we note that, since the Merger Ratio was announced, the AOF Unit price has generally traded downwards, indicating potential uncertainty regarding execution of the Proposal and dilution effects of the Proposal.

We note that whilst the benefits of the Proposal have been announced to the market, AOF and DPF have not quantified the synergies that are likely to be realised from the implementation of Proposal.

Since the announcement of the Proposal up until 29 October 2021, AOF Unit price has generally traded in a daily VWAP range of $2.30 to $2.48, noting that AOF traded at significant volumes in the few days following the announcement of the Proposal. The VWAP for the period between 20 September 2021 and 29 October 2021 was $2.39 per unit. A summary of AOF's unit prices from the period between the announcement of the Proposal on and the 29 October 2021 is set out below.

Table 44: Analysis of trading in AOF Units post announcement

Period up to and including 29 October 2021	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative Volume M	% of issued capital
1 day	2.28	2.33	2.30	0.1	0.1	0.0
1 week	2.28	2.35	2.31	1.1	0.5	0.3
2 weeks	2.28	2.42	2.33	2.2	0.9	0.6
3 weeks	2.27	2.42	2.34	3.5	1.5	0.9
4 weeks	2.27	2.43	2.34	4.8	2.0	1.2
30 days	2.27	2.51	2.39	11.4	4.8	2.9

Source: IRESS, Capital IQ, KPMG Corporate Finance Analysis.
Note 1: 30 trading days from 20 September 2021 to 29 October 2021.

We have also considered broker notes published in relation to AOF, after the announcement of the Proposal, where those brokers have re-assessed their target price for AOF. We reviewed the only two broker reports that were published, and note that they estimate a range of price targets of between $2.37 and $2.46 per AOF Unit.

In general, the brokers view the Proposal favourably for both AOF and DPF shareholders, based on the synergies associated with the Proposal.

Based on share market trading and broker analysis, we observe a post announcement range per AOF Unit of \$2.30 to \$2.48[21]. This range falls slightly below the low end of our range per AUPF Unit and slightly below the midpoint of our range per AUPF Unit. This provides support for our value range per AUPF Unit.

[21] Based on the post-announcement daily VWAP range of \$2.30 to \$2.48 and the range per broker analysis of \$2.37 to \$2.46.

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Appendix 1 – KPMG Corporate Finance disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Adele Thomas and Bill Allen. Each is an authorised representative of KPMG Corporate Finance and a partner of KPMG. Adele is a member of Chartered Accountants Australia and New Zealand and holds a Bachelor degrees in Commerce and Accounting. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance. Adele and Bill have a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Wanda Xu has assisted in the preparation of the report.

Disclaimers

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

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

It is not the role of the Independent Expert to undertake the commercial and legal due diligence that a company, and its advisers may undertake. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the diligence process, which is outside our control, and beyond the scope of this report. We have assumed that the due diligence process was conducted in an adequate and appropriate manner.

Independence

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

Consent

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

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- AOF Explanatory Memorandum (including earlier drafts)
- Merger Implementation Deed, dated 4 October 2021
- DPF Unitholder Booklet (including earlier copies)
- company presentations and announcements of AOF
- audited annual reports for the periods ended 30 June 2018, 30 June 2019, 30 June 2020, and 30 June 2021 for both AOF and DPF
- broker reports for AOF
- various press and media articles
- data providers including S&P Capital IQ, IRESS, Bloomberg, Thompson Financial Securities, and Connect 4
- various reports on the A-REIT industry in Australia.

Non-public information:

- management papers and documents confidential to AOF, DPF and AUPF
- Management Accounts for AOF, DPF and AUPF prepared by management.

In addition, we have had discussions with the management of AOF and its advisors.

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Appendix 3 – Industry overview

AOF operates as a REIT, that wholly owns a diversified portfolio of office properties (a subset of commercial properties) and receives rental income in respect of these properties. DPF wholly owns a diversified portfolio of office, multi-use (office or industrial), retail, convenience retail, and industrial properties which AOF will gain exposure to under the Proposal.

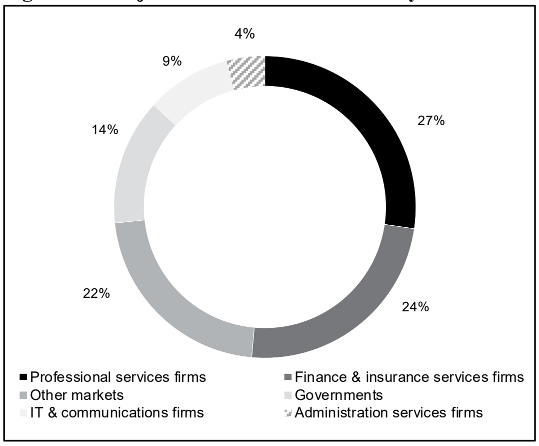
Real Estate Investment Trust industry

A-REITs are trust structures that provide security holders with an opportunity to invest into managed investment schemes that purchase and hold investments in property assets. Investors generally evaluate A-REITs by assessing the security of the rental and other property income, quality of the individual properties and tenants, degree of diversification, lease expiry profile, level of gearing and quality of management. The relative risk of these elements will be reflected in the yield of the individual A-REIT as well as a premium or discount to the underlying NTA from the trading price (if listed). A-REITs may be able to access tax concessions (such as capital allowances and tax deferral on rental income) which are generally passed on to securityholders through tax deferred distributions.

A-REITs invest in a range of properties in various sub-sectors and geographic locations. The sectors within the property market and the type of properties within each include the following:

- **retail:** investment in shopping malls, outlet malls, neighbourhood and community shopping centres, service stations (convenience)
- **diversified:** investment across a range of property sectors
- **industrial:** investment in industrial properties including warehouses, logistics, industrial estates, distribution centres, development sites and manufacturing plants
- **office:** investment in office buildings, office parks and multi-use (office or industrial)
- **residential:** investment in residential properties including housing, apartments and student housing
- **hotel:** investment in properties that provide accommodation on a room and/or suite basis
- **specialised:** includes investment in physical and electronic record storage centres, childcare and early learning, as well as retirement communities, aged care and other seniors living and agricultural land among others.

Figure 28: Major markets for office tenancy in Australia



Source: IBISWorld 'Office Property Operations Australia'

Presented below is a summary of the Australian key macroeconomic factors that may impact the performance of the A-REIT industry.

- ***low interest rates:*** to support the recovery of businesses after easing of COVID-19 restrictions, the Reserve Bank of Australia (**RBA**) reduced the cash rate to 0.10% in November 2020 from 0.75%. Lower interest rates mean a lower cost of debt (which positively impacts earnings) and greater capacity to borrow given lower servicing requirements of existing/new loans. Additionally, lower interest rates may lead to compression of capitalisation rates and consequently, increases in capital value of the underlying property
- ***high inflation rate:*** A-REITs primarily derive their revenue from property rentals where leases may incorporate adjustments to allow for inflation
- ***compressing real property yields***: yields on properties have closely followed that of the 10-year government bond, which in turn is linked to the cash rate. Due to increases in the level of real estate activity in the past five years, property prices have increased, which has resulted in lower yields. In addition, lower returns on other asset classes has helped maintain the demand for real estate assets
- ***quantitative easing***: the RBA announced on 3 November 2020 that it would purchase bonds issued by the Australian Government, and by the states and territories in the secondary market under a $100 billion bond purchasing program. On 2 February 2021 and 6 July 2021, the RBA extended the program for an additional $200 billion (across both programs). The program aims to support the Australian treasury bond yield curve and reduce average yields across maturities with the flow on effect of reducing interest rates
- ***participation rate:*** a direct driver of demand of commercial properties is the number of employees in Australia measured as a proportion of the total population in the form of a participation rate. During COVID-19, the labour force participation rate decreased significantly to a low of 62.2% in May 2020 as per Australian Bureau of Statistics (**ABS**) data. The participation rate has recovered to 65.2% as at August 2021 but remains slightly lower than pre-COVID levels of approximately 66%. The degree to which the participation rate recovers will influence the commercial property sector.

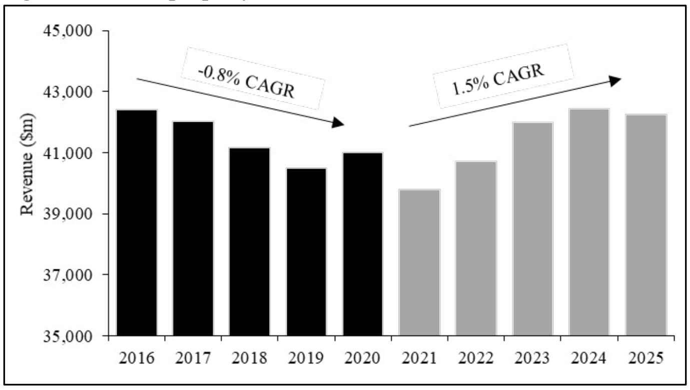
Office sector

The Office sector comprises of different graded offices (Premium A, B, C and D grade) which are graded based on locational, economic, environmental and other factors including aesthetics. AOF's office portfolio comprise mostly A or B grade properties.

The Office sector comprises of firms engaging in the ownership and management of properties used for professional services, finance and insurance, government, IT and administration services.

The figure below displays historical and forecast revenue for the office property industry in Australia.

Figure 29: Office property revenue in Australia



Source: IBISWorld 'Office Property Operations Australia'

Office property revenues had fallen prior to 2021 due to a shift towards a service-based economy reducing the demand for office workspace. This has also included a movement towards lower grade real-estate. 2020 and 2021 revenues were affected by COVID-19.

The key drivers of the Office sector include:

- ***Capital expenditure by the private sector:*** capital expenditure includes investments in new properties which is expected to increase in 2021-22
- ***interest rates:*** interest rates affect business confidence and investment, including investment in new property development and directly determine yields on geared property
- ***demand from superannuation funds:*** super funds are major investors in property in Australia
- ***total number of non-manual employees in the workforce:*** Australia is a services economy representing over 70% of its gross domestic product (**GDP**) and is expected to increase as a proportion of GDP. As the total number of non-manual employees increase, the demand for office properties should increase.

Recent performance

The $1.5 billion Commercial Property Management industry has grown at an annualised 0.8% over the past 5 years, despite the effects of COVID-19. In the past two years, COVID-19 related social and movement restrictions (such as Government mandated lockdowns and stay at home orders) have affected revenues of the industry and reduced usage and demand for commercial properties. In addition, some businesses have chosen to downsize, renegotiate or terminate rental agreements which has decreased occupancy rates across the industry. As the lockdowns ease, confidence improves and the vaccination rate of the population improves, profitability and occupancy rates are likely to increase.

Diversified property sector

Overview

The diversified property sector in which DPF operates and AUPF will operate, is characterised by a broad investment mandate that allows for property investment in a number of different types of properties. These include retail, industrial, office, convenience and specialised assets.

The key drivers of the diversified property sector include:

- ***Demand from office and retail property operators:*** decisions by business owners to expand their premises or open additional locations influences the level of demand for properties
- ***Number of businesses:*** the number of active businesses operating in Australia supports the market demand for commercial property management
- ***Business confidence:*** business operators' confidence in the economy influences the decision to expand or scale down operations which directly affect tenant demand for non-residential property
- ***Interest rates:*** as above.

Industrial property

Industrial property in Australia has enjoyed varying fortunes in recent years with manufacturing facing difficulties and increased vacancy rates as manufacturers have exited their respective industries in favour of offshore alternatives. However, integrated logistics and warehousing and storage services have seen an increase in demand, driven by the rapid acceleration of eCommerce in Australia. The onset of COVID-19 and associated shutdowns has led to the proliferation of online shopping and industry operators have required warehouse and distribution facilities to cater to increase in volumes.

Retail property

The onset of COVID-19 initially saw widespread predictions as to the demise of the physical retail sector. However, retail collapses hit record lows, according to KPMG's 2021 retail outlook[22], as government initiatives including Job Keeper and the temporary suspension of insolvent trading laws, protected bricks and mortar retailers from the anticipated downfall. Retail property is expected to benefit from advantages it holds over online retail such as superior customer service and greater tactile interaction with products. Shopping centres specifically have seen some benefits from the shift from traditional shopping strips to major shopping centres. However, competition from online only retailers and ongoing restrictions related to COVID-19 have seen slowing growth over recent years.

Convenience property

The retail convenience property subsector has a number of unique additional drivers:

- ***population growth:*** demand for service stations or their alternative use will be supported by the growing population
- ***demand for non-fuel products:*** Whilst fuel remains the primary reason for customer visitation to petrol stations, consumer behaviour is evolving, and the convenience offer is increasing in importance as the driver of site traffic[23]
- ***demand for traditional fuel:*** Demand for traditional fuels is expected to remain resilient in the near-to-medium term, particularly for freight transport which uses liquid fuels[24]. Key factors underpinning demand include population growth, population dispersion, reliance on road transport (passenger and freight), and low electric vehicle adoption rates.

Recent performance

The figure below charts the ASX200 A-REIT index against the ASX300 Office A-REIT index, ASX300 Industrial A-REIT index and ASX300 Retail A-REIT index.

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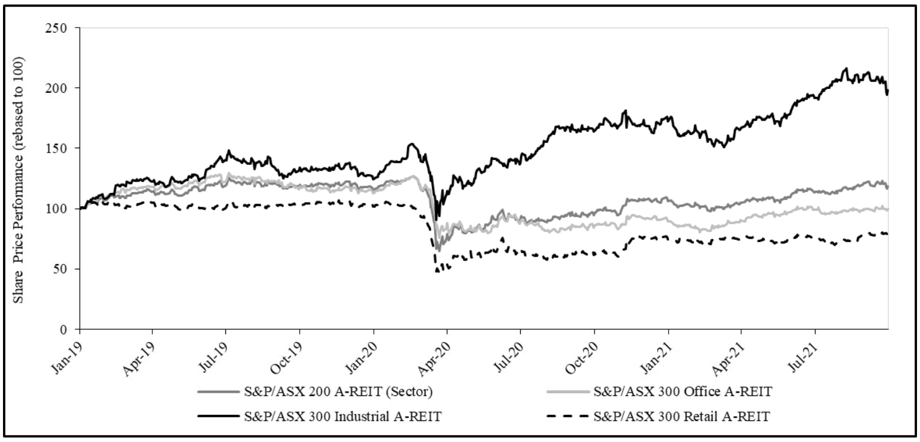
[22] Inside Retail, Australian Retail Outlook 2021 - KPMG

[23] Australasian Convenience and Petroleum Marketers Association (ACAPMA), 2019 Monitor of Fuel Consumer Attitudes

[24] Australian Government, Future Fuel Strategy, Discussion Paper, February 2021

Figure 30: A-REIT index performance (base 100) between 1 January 2019 and 30 September 2021



Source: S&P Capital IQ, KPMG Corporate Finance Analysis

The recovery of various sub-sectors since the initial COVID-19 related economic uncertainty has been varied. While the industrial A-REIT index has increased to trade above pre-COVID-19 levels, the office, retail and broader ASX200 A-REIT indices have all shown modest recovery, remaining mostly at pre-COVID-19 levels. The essential nature of industrials has shielded it from COVID-19 impacts that have affected other industries.

Outlook

Industry revenue for commercial property services is forecast to grow at an annualised 2.9% over five years through 2025-26 to $1.7 billion[25]. Industry revenue growth is projected to be aided by rising business confidence and positive consumer sentiment coming out of COVID-19 as the population is vaccinated. Commercial property yields will likely recover as demand rebounds from the negative effects associated with the pandemic.

Industry profit margins are expected to increase as property owners consolidate their holdings to manage larger funds and benefit from economies of scale. Occupancy rates are likely to recover as the economy continues to open and business activity increases across the states. Furthermore, continued low interest rates will likely support capital appreciation, providing opportunities to regear the portfolio and invest and/or develop properties.

Whilst IBISWorld forecasts increased business confidence and expenditure, there is increasing competition between property managers as COVID-19 has left many offices underutilised. Furthermore, development of commercial properties, driven by low rates, may constrain existing properties.

Demand for industrial property management is forecast to rise over the next five years[26]. While headwinds are forecast for manufacturers and automotive related enterprises, demand for warehousing and logistics shows no sign of slowing.

[25] IBISWorld report: OD5433 - Commercial Property Management in Australia Industry Report

[26] IBISWorld report: L6712A Office Property Operators in Australia Industry Report

Appendix 4 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (**maintainable earnings**) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and Net Profit After Taxation (**NPAT**).

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable industry, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the valuation date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically, a forecast period of at least five years is required, although this can vary by industry and within a given industry.

The rate at which the future cash flows are discounted (the **Discount Rate**) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the Weighted Average Cost of Capital (**WACC**), reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value (**EV**) for the business. Alternatively, for some industries it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 5 – Market Evidence

Table 45: Share market evidence – Australian A-REITS

	Market capitalisation ($ million)	Premium (discount) to NTA (%)	Dividend yield			FFO multiple		
			FY21	FY22	FY23	FY21	FY22	FY23
Office REITs								
Growthpoint Properties Australia	3,188	(1.0%)	4.8%	5.0%	5.3%	16.1	15.5	14.8
Centuria Office REIT	1,493	1.2%	6.6%	6.6%	6.7%	14.6	14.4	13.3
Irongate Group	993	7.6%	9.9%	n/a	n/a	17.5	n/a	n/a
GDI Property Group	624	(7.6%)	6.7%	6.8%	6.8%	21.5	n/a	n/a
Elanor Commercial Property Fund	311	(3.9%)	9.1%	8.5%	8.8%	12.1	n/a	n/a
Mean		**(0.7%)**	**7.4%**	**6.7%**	**6.9%**	**16.4**	**14.9**	**14.1**
Median		**(1.0%)**	**6.7%**	**6.7%**	**6.7%**	**16.1**	**14.9**	**14.1**
Convenience Retail REITs								
Shopping Centres Australasia Property Group	2,998	7.1%	4.6%	5.1%	5.6%	18.9	16.9	15.5
Charter Hall Retail Real Estate Investment Trust	2,314	(0.2%)	5.9%	6.0%	6.5%	14.8	14.4	13.8
Waypoint REIT Limited	2,148	0.0%	n/a	5.8%	6.0%	n/a	17.9	n/a
Dexus Convenience Retail REIT	490	(4.1%)	6.2%	6.5%	6.8%	18.9	15.8	14.9
Elanor Retail Property Fund	138	(11.5%)	8.0%	6.1%	6.6%	11.8	n/a	n/a
Mean		**(1.7%)**	**6.2%**	**5.9%**	**6.3%**	**16.1**	**16.2**	**14.7**
Median		**(0.2%)**	**6.0%**	**6.0%**	**6.5%**	**16.8**	**16.4**	**14.9**
Large Shopping Centre REITs								
Scentre Group	15,501	(17.9%)	n/a	5.2%	5.6%	33.4	14.7	13.6
Vicinity Centres	7,602	(21.6%)	6.0%	4.8%	6.1%	13.6	14.8	12.4
Mean		**(19.7%)**	**6.0%**	**5.0%**	**5.9%**	**23.5**	**14.8**	**13.0**
Median		**(19.7%)**	**6.0%**	**5.0%**	**5.9%**	**23.5**	**14.8**	**13.0**
Industrial REITs								
BWP Trust	2,570	21.6%	4.6%	4.5%	4.6%	n/a	22.2	21.8
Centuria Industrial REIT	2,355	(2.6%)	4.6%	4.6%	4.8%	25.8	22.2	20.5
Dexus Industria REIT	749	7.8%	5.0%	5.0%	5.3%	18.2	n/a	16.4
Mean		**8.9%**	**4.7%**	**4.7%**	**4.9%**	**22.0**	**22.2**	**19.5**
Median		**7.8%**	**4.6%**	**4.6%**	**4.8%**	**22.0**	**22.2**	**20.5**
Diversified REITs								
GPT Group	9,712	(13.5%)	n/a	5.2%	5.4%	32.1	15.4	14.7
Charter Hall Long WALE REIT	3,115	(5.4%)	5.9%	6.3%	6.5%	n/a	16.1	15.3
Abacus Property Group	2,953	3.5%	4.8%	4.9%	5.2%	21.6	20.2	18.3
Garda Property Group	324	0.0%	5.0%	5.0%	5.2%	20.0	19.4	17.3
Mean		**(3.8%)**	**5.2%**	**5.3%**	**5.6%**	**24.6**	**17.8**	**16.4**
Median		**(2.7%)**	**5.0%**	**5.1%**	**5.3%**	**21.6**	**17.7**	**16.3**

Source: S&P Capital IQ, Company Announcements, Company financial statements, Company website, KPMG Corporate Finance Analysis.
Note 1: Market capitalisation is calculated using closing prices on 30 September 2021.
Note 2: NTA premium/ (discount) to the latest quoted price.

The multiples are based on share market prices at 30 September 2021 which do not typically include a control premium. A brief description of each company is outlined below.

Office REITs

Growthpoint Properties Australia

Growthpoint Properties Australia (**Growthpoint**) is an internally managed A-REIT. At 30 June 2021, it had a $4.5 billion property portfolio, which comprises 55 properties in the office (67.0%) and industrial (33.0%) sectors. Growthpoint's properties are located in VIC (29.0%), QLD (26.0%), NSW (25.0%), SA (8.0%), WA (8.0%) and ACT (4.0%). The majority of Growthpoint's tenants (60.0%) are listed companies with a further 23.0% of properties occupied by government owned entities. Growthpoint's property portfolio had a WALE of 6.2 years as at 30 June 2021.

Centuria Office REIT

Centuria Office REIT (**Centuria**) is Australia's largest listed pure play office REIT. It is an externally managed A-REIT that owns a portfolio of 22 metropolitan office buildings. Centuria's properties are located across NSW (25.0%), QLD (23.6%), VIC (17.6%), ACT (16.7%), WA (14.2%) and SA (2.9%). Centuria's tenants comprise Government owned entities (27%), listed companies (26%), multinational companies (19%) and listed multinational companies (10%). At 30 June 2021 it had a $2.0 billion diversified investment property portfolio and a relatively small development pipeline of $60 million. Centuria's property portfolio had a WALE of 4.3 years as at 30 June 2021.

Irongate Group

Irongate Group (**Irongate**) is an internally managed A-REIT. As at 31 March 2021, it had a $1.2 billion property portfolio, which comprises 32 metropolitan properties in the office (12 properties, 66.0% value) and industrial (20 properties, 34.0% value) sectors. Irongate's tenants include Government owned entities, listed companies and multinational companies. The properties are based in NSW (29.0%), VIC (17.0%), QLD (14.0%), SA (11.0%), ACT (10.0%), WA (8.0%), New Zealand (7.0%) and NT (4.0%). At 31 March 2021, Irongate had over $1.75 billion in assets under management (**AUM**). Irongate's property portfolio had a WALE of 4.7 years as at 31 March 2021.

GDI Property Group

GDI Property Group Limited (**GDI**) is an integrated internally managed office A-REIT operating through two segments: property investment and funds management. At 30 June 2021, the group's property portfolio was comprised of 4 wholly owned properties in CBD locations, situated in Perth (3) and Surfers Paradise (1) with a combined value of $787 million. At 30 June 2021, GDI had a development pipeline of $63 million. GDI's properties are predominantly based in Perth. GDI also manages seven unlisted and unregistered managed investment schemes with total funds under management (**FUM)** of approximately $520.2 million at 30 June 2021. GDI's property portfolio had a WALE of 2.6 years as at 30 June 2021.

Elanor Commercial Property Fund

Elanor Commercial Property Fund (**ECP**) is an externally managed listed A-REIT that invests in commercial office assets. As at 30 June 2021, ECP's property portfolio was comprised of 8 properties with a combined value of $498.0 million. The properties are based in Brisbane (28.0%), Perth (27.0%), Gold Coast (23.0%), Canberra (14.0%), and Adelaide (8.0%). ECP's tenants largely comprise ASX listed entities (38.0%), multinational companies (20%) and Government owned entities (18.0%). ECP's property portfolio had a WALE of 4.2 years as at 30 June 2021.

Convenience Retail REITs

Shopping Centres Australasia Property Group

SCA Property Group (**SCP**) includes two internally managed A-REITs that own a portfolio of 95 neighbourhood, subregional and freestanding shopping centres located across Australia and had a portfolio value of $4.0 billion as at 30 June 2021. SCP invests in shopping centres that are predominantly anchored by non-discretionary retailers which have long-term leases (such as Woolworths (31.0%), Coles (12.0%) and Wesfarmers (3.0%)). The investment properties are located across Australia: NSW (31.0%), QLD (24.0%), VIC (17.0%), WA (12.0%), TAS (10.0%), SA (5.0%) and NT (1.0%). SCP's property portfolio had a WALE of 7.2 years as at 30 June 2021.

Charter Hall Retail Real Estate Investment Trust

Charter Hall Retail Real Estate Investment Trust (**Charter Hall Retail**) is an owner and manager of a portfolio of 50 shopping centres and 296 long WALE assets (as at 30 June 2021) that are located in neighbourhood and subregional areas throughout Australia and New Zealand and had a portfolio value of approximately $3.6 billion at 30 June 2021. The investment properties are located across Australia and New Zealand: NSW (44.0%), QLD (16.0%), VIC (12.0%), SA (7.0%), New Zealand (5.0%) and ACT (2.0%). Major tenants include Coles (16.6%), Woolworths (16.6%) and bp (12.1%). Charter Hall Retail's property portfolio had a WALE of 7.5 years at 30 June 2021.

Waypoint REIT Limited

Waypoint REIT Limited (**Waypoint**), previously known as VIVA Energy REIT, is Australia's largest listed REIT owning solely service station and convenience retail properties across all Australian states. At 30 June 2021, Waypoint had a $2.9 billion property portfolio comprised of 427 properties located in located in NSW (31.9%), VIC (29.8%), QLD (19.7%), WA (9.4%), SA (4.5%), TAS (1.6%), ACT (2.2%) and NT (0.9%). Viva Energy Australia is Waypoint's largest tenant (96.7%). Waypoint's property portfolio had a WALE of 10.5 years as at 30 June 2021.

Dexus Convenience Retail REIT

Dexus Convenience Retail REIT (**DCR**) is an externally managed listed A-REIT which owns service stations and convenience retail assets throughout Australia. Following Dexus's acquisition of APN Property Group, which was implemented on 13 August 2021, the APN Convenience Retail REIT was rebranded Dexus Convenience Retail REIT. As at 30 June 2021, DCR's portfolio comprises 98 properties with a portfolio value of approximately $633.0 million. The properties consist of metropolitan (66.3%), regional (18.3%) and highway (15.4%) sites, located across QLD (55%), NSW (18%), SA (13%), WA (12%) and VIC (2%). DCR's property portfolio had a WALE of 11.9 years as at 30 June 2021.

Elanor Retail Property Fund

Elanor Retail Property Fund (**ERP**) is an externally managed listed A-REIT that invests in Australian retail property. The fund invests in non-discretionary neighbourhood and subregional shopping centres. The portfolio comprised six retail shopping centres that were valued at $215.0 million at 30 June 2021, located in NSW (56%), QLD (35%) and TAS (9%). As at 30 June 2021, ERP's property portfolio had a WALE of 4.4 years.

Large Shopping Centre REITs

Scentre Group

Scentre Group (**Scentre**) owns and operates 42 Westfield shopping centres in Australia and New Zealand and had a portfolio value of $50.1 billion as at 30 June 2021, including $34.3 billion of property (including development projects and construction in progress) and $15.8 billion of third party funds. The groups properties are located across Sydney (45.2%), Melbourne (16.7%), Brisbane (13.3%), New Zealand (11.9%), Perth (9.5%), Adelaide (7.1%) and ACT. As at 30 June 2021, Scentre had a development pipeline greater than $4.5 billion. As at 31 December 2020, Scentre's property portfolio had a WALE of 6.0 years.

Vicinity Centres

Vicinity Centres (**Vicinity**) is a retail property group that owns and operates 59 centres in Australia and had a portfolio value of $13.5 billion as at 30 June 2021. Vicinity's portfolio includes Chadstone (22.0%), Premium CBD centres (15.0%), DFOs (13.0%) with the remainder comprised major regional, regional, sub-regional and neighbourhood centres (50%). The investment properties are located across Australia: VIC (52.0%), NSW (20.1%), WA (11.3%), QLD (10.4%), SA (4.4%) and TAS (1.8%). At 30 June 2021, Vicinity had a development pipeline of $1.4 billion and a WALE of 4.3 years.

Industrial REITs

BWP Trust

BWP Trust (**BWP**) is an externally managed A-REIT that invests in and manages 74 commercial properties throughout Australia and had a portfolio value of $2.6 billion as at 30 June 2021. The majority of BWP's properties are large format retail properties, in particular, Bunnings Warehouses, located across VIC (33.0%), QLD (25.0%), NSW (22.0%), WA (15.0%), SA (3.0%) and ACT (2.0%). BWP's property portfolio had a WALE of 4.2 years as at 30 June 2021.

Centuria Industrial REIT

Centuria Industrial REIT (**CIR**), previously 360 Capital Industrial Fund, is Australia's largest pure play industrial REIT. It is internally managed and focuses on investment in industrial properties in Australia (principally warehouses and logistics). At 30 June 2021, CIR had a $2.9 billion property portfolio, comprising 62 properties located across VIC (38.0%), QLD (26.0%), NSW (26.0%), WA (7.0%), SA (2.0%) and ACT (1.0%). As at 30 June 2021, CIR has begun a further expansion to 67 properties, worth $3.1 billion. CIR's property portfolio had a WALE of 9.6 years as at 30 June 2021.

Dexus Industria REIT

Dexus Industria REIT (**DIR**) is an externally managed listed A-REIT which owns office and industrial assets throughout Australia. Following Dexus's acquisition of APN Property Group, which was implemented on 13 August 2021, the APN Industria REIT was rebranded to Dexus Industria REIT. As at 30 June 2021, DIR's portfolio comprises 39 properties with a portfolio value of approximately $1.1

billion, consisting of industrial (67.0%) and business park (33.0%) assets. DIR's tenants largely comprise of ASX listed companies (39.0%), listed multinational companies (18.0%) and national companies (17.0%). DIR's property portfolio had a WALE of 5.4 years as at 30 June 2021.

Diversified REITs

GPT Group

GPT Group (**GPT**) is an internally managed diversified A-REIT. At 30 June 2021, GPT owns and manages a $25.3 billion portfolio of retail, office and logistics properties across Australia. GPT's third party funds include the GPT Wholesale Office Fund and the GPT Wholesale Shopping Centre fund with total assets of $9.3 billion and $3.9 billion respectively. GPT's property portfolio includes retail (38.0%), office (39.0%) and logistics (23.0%). GPT has a development pipeline of $4.8 billion, including $4.4 billion of future pipeline and $406 million currently underway. GPT's property portfolio had a WALE of 4.8 years as at 30 June 2021.

Charter Hall Long WALE REIT (CLW)

Charter Hall Long WALE REIT (**CLW**) is an A-REIT that invests in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases. CLW is managed by Charter Hall Group. CLW mainly invested in the following sectors: long WALE retail (33.0%), office (25.0%), industrial and logistics (22.0%), social infrastructure (15.0%) and agri-logistics (5.0%). At 30 June 2021, CLW had a $5.6 billion property portfolio, comprised of 468 properties. The properties are primarily located across Australia: NSW (35.0%), VIC (20.0%), QLD (17.0%), WA (12.0%), SA (7.0%), the ACT (5.0%), New Zealand (3.0%) and NT and TAS (1.0%). CLW's property portfolio had a WALE of 13.2 years as at 30 June 2021.

Abacus Property Group

Abacus Property Group (**Abacus**) is a diversified property investment group with property investment, funds management and development operations. At 30 June 2021, the group had a diversified $3.8 billion investment portfolio of self-storage (46.0%), office (44.0%), retail and other (10.0%) assets. The investment properties are located across Australia and New Zealand: NSW (35.0%), VIC (23.0%), QLD (22.0%), ACT (7.0%), New Zealand (7.0%), SA (3.0%) and WA (3.0%). Abacus's property portfolio had a WALE of 3.9 years as at 30 June 2021.

Garda Property Group

Garda Diversified Property Fund (**Garda**) is an externally managed diversified A-REIT. At 30 June 2021, Garda had a property portfolio of 17 properties with a combined value of $496.0 million, comprised of office (48.0%), industrial (39.0%) and land/industrial development (13.0%) assets. The investment properties are located across Cairns (44.0%), Melbourne (31.0%), Brisbane (18.0%) and Mackay (7.0%). Garda's property portfolio had a WALE of 5.5 years as at 30 June 2021.

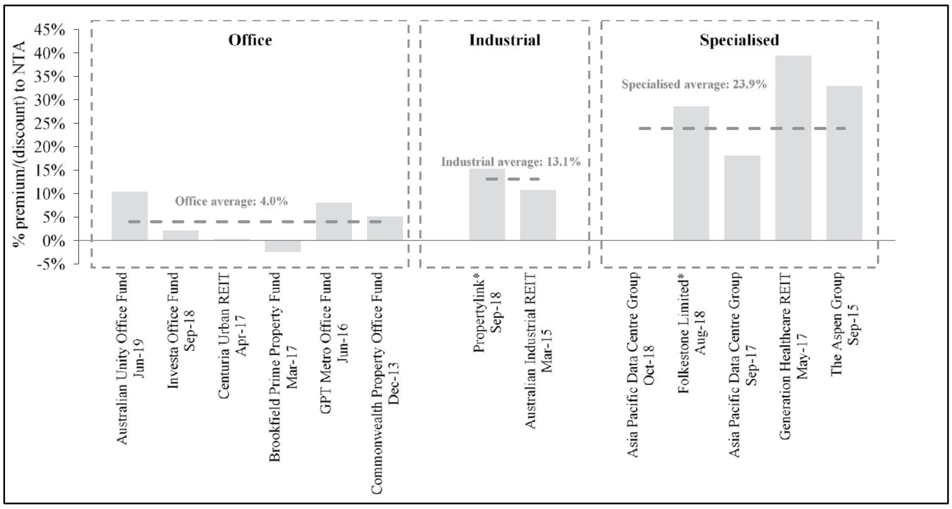
Appendix 6 - Premiums/ (discounts) to NTA

Premiums/(discounts) to NTA from transactions

In considering the extent to which it is appropriate to apply a premium or discount to the aggregated value of the property portfolios of AOF and DPF, we have considered market evidence on the extent to which a market participant may be willing to pay a premium for a portfolio of investment properties as compared to the aggregate market value of the same investment properties on a standalone basis.

The figure below presents an analysis of the premium or discount to NTA observed in recent transactions involving ASX listed REITS.

Figure 31: Premiums/(discounts) to NTA from transaction evidence



Source: S&P Capital IQ, Company financial statements, Financial statements, IER Reports, KPMG Corporate Finance Analysis.
Note 1: NTA from the last Annual Report for each target entity.
Note 2: Australian Unity Office Fund transaction reflects a 20% minority stake.
Note 3: Centuria Urban REIT (2017) and Asia Pacific Data Centre Group (2018) have a premium of 0.4% and 0.0% respectively

We make the following observations in relation to the above transactions:

- transactions involving the acquisition of portfolios of properties reflect the stage of the property cycle at the time of the transaction, factors specific to each A-REIT and value a specific acquirer may attribute to the acquisition of the portfolio in their hands (e.g. if they were to combine it with an existing property investment platform)
- since 2013, transactions have generally taken place at a premium to NTA, albeit that some transactions have shown very small premiums or small discounts to NTA (e.g. Office REITs)
- premiums observed in transactions involving Office REITs range between (2.5%) to 10.5%, with a mean of 4.0%. The high end of this range is represented by Australian Unity Office Fund, which reflects a minority stake acquisition (19.9%), whilst GPT Metro Office Fund and Commonwealth Property Office Fund were involved in a competitive bidding process. Excluding these transactions,

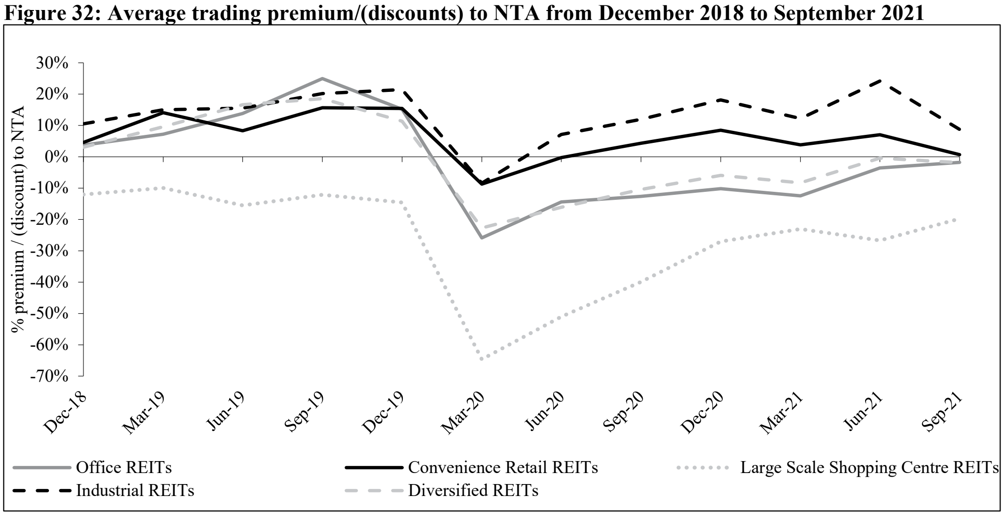
premiums observed for recent Office REIT transactions have exhibited negative to small premiums, with a range of (2.5%) to 2.2% and a mean of 0.1%

- premiums observed in transactions involving Industrial REITs range between 10.8% to 15.4%, with a mean of 13.1%. The premium implicit in the PropertyLink transaction related primarily to the fund management activities which were not included in the NTA
- specialist property REITs, including aged care, data centres, social infrastructure and holiday parks exhibited the highest premium to reported NTA, ranging from 0.0% to 39.5%, with a mean of 23.9%. The high end of this range is represented by Generation Healthcare, which was exposed to the strongly performing healthcare sector and had a substantial development pipeline. The Aspen Group and Asia Pacific Data Centres (2017) involved a competitive bidding process, whilst Folkstone Limited had material third party funds under management.

Premiums/ (discounts) to NTA from market evidence

The chart below illustrates high-level analysis of trading premiums/(discounts) to NTA over the period from 31 December 2018 to 30 September 2021 for Office REITs, Convenience Retail REITs, Large Scale Shopping Centre REITs, Industrial REITs and Diversified REITs.

Figure 32: Average trading premium/(discounts) to NTA from December 2018 to September 2021



Source: S&P Capital IQ, KPMG Corporate Finance Analysis
Note 1: Average premium/(discount) to NTA per A-REIT was based on comparable company categories as per Appendix 5.
Note 2: NTA premium/(discount) to the latest quoted price for each quarter.
Note 3: Excludes outliers.

REITs typically trade at a discount or premium to NTA to reflect factors such as:

- the nature of the activity undertaken by the REIT: it may be purely focused on passive property investments or it may actively undertake other activities such as property development or funds management

- the sector to which it is exposed: a REIT may be focused on a specialised sector such as aged care, or a broader sector such as industrial property or diversified across many sectors such as retail, commercial and industrial
- perceived quality of the underlying assets: a REIT with assets in prime locations underpinned by long term leases and low vacancy rates is likely to attract a higher premium
- externally/ internally managed assets: externally and internally managed REITs may have different cost structures and growth drivers which could impact premiums or discounts to NTA
- jurisdictions in which the REIT operates: REITS purely exposed to Australian property will face different risk relative to REITS with international exposure.

We make the following observations in relation the trading premiums or discount to NTA from 31 December 2018 to 30 September 2021:

- at 30 September 2021, we observed the following premiums/(discounts) to NTA:
  - Industrial REITs demonstrated the strongest performance and traded, on average, at a premium of 8.8% to NTA
  - Convenience retail REITs traded, on average, at a slight premium of 0.7% to NTA
  - Diversified REITs traded, on average, at a small discount of 1.9% to NTA.
  - Office REITs traded, on average, at a slight discount of 1.8% to NTA
  - Large Scale Shopping Centre REITs traded, on average, a s significant discount of 19.8% to NTA.
- prior to the global COVID-19 pandemic, on average, all REITs (excluding Large Scale Shopping Centre REITs), traded at a premium to NTA. From March 2020, the global market sell-off which arose from the uncertainties brought about by the global pandemic heavily impacted all sectors. Notably, Office REITs were impacted significantly, trading at an average (25.9%) discount to NTA as at 31 March 2020, from a premium of 15.1% at 30 December 2019
- whilst all sectors have experienced a recovery since March 2020 through to September 2021, not all sectors have experienced the same level of recovery
- the recovery appears to remain slow among Office REITs, largely due to the enduring effects of 'work from home' mandates, potential for abatements, rent reductions as well as uncertainty regarding property values.
- Industrial REITs appear to be more resilient than other REIT categories, demonstrating a faster recovery from the COVID-19 related recessionary conditions, largely due to increased demand for online shopping.
- Large Scale Shopping Centres (Vicinity and Scentre) were heavily impacted by COVID-19, with restrictions limiting foot traffic, increasing tenant vacancies and reductions in rent/rental relief, whilst convenience-based, non-discretionary Retail REITs were less susceptible to the impacts of COVID-19 and experienced a stronger recovery relative to other REITs.

Appendix 7 – Property descriptions

AOF Property Portfolio – Descriptions

- **10 Valentine Avenue, Parramatta, NSW:** A-grade, 14-level office building located 100m from Westfield Parramatta and the Parramatta Bus and Railway Interchange. Adjacent to the building is a six-level freestanding carpark and the 2 Valentine Avenue development site. The property has been predominately leased to the NSW Government, who have occupied the building since its construction in 1987
- **2 Valentine Avenue, Parramatta, NSW**: In place development approval providing the opportunity to develop an A-grade, 24-level office space located within the Parramatta CBD. Development approval has been sought to provide an opportunity to join 2 and 10 Valentine Avenue together into a campus-style office accommodation
- **32 Phillip Street, Parramatta, NSW:** B-grade, eight-level office building located in the northern portion of the Parramatta commercial precinct. The property will benefit from the significant Government investment into Parramatta, including the light rail, Metro West rail and the proposed 'Civic Link', a green, pedestrianised public space. AOF is exploring the divestment of this property
- **2 Eden Park Drive, Macquarie Park, NSW:** Industrial complex consisting of 16 attached office and warehouse units of three- and two-levels, respectively
- **5 Eden Park Drive, Macquarie Park, NSW:** A-grade property comprised of three levels of office accommodation and warehouse space, in close proximity to the Macquarie Park railway station. Current tenants include Aegros, who acquired former tenants Contract Pharmaceuticals Services of Australia, and Saluda Medical
- **150 Charlotte Street, Brisbane, QLD:** A-grade, 16-level office building located in the centre of Brisbane's CBD. The property will benefit from the nearby development of Queen's Wharf and the Cross River Rail
- **30 Pirie Street, Adelaide, SA:** A-grade, 23-level office space located in the centre of Adelaide's CBD. Notable tenants include Telstra, who have occupied the property since its construction in 1987. A refurbishment strategy is underway, intending to create a vibrant forecourt and ground floor lobby.
- **468 St Kilda Road, Melbourne, VIC:** B-grade, 13-level office building located on St Kilda Road, one of Melbourne's largest non-CBD office markets. The property will benefit from the nearby development of Anzac Station, set for completion in 2025
- **64 Northbourne Avenue, Canberra, ACT:** B-grade, six-level office building located in the Canberra CBD within close proximity of the prime retail precinct and Canberra's Light Rail and City Bus networks
- **96 York Street, Beenleigh, QLD:** A-grade, seven-level office building located in a central government hub in Beenleigh. Its sole tenant is the Logan City Council who have leased the space for 10-years with two 5-year options. The newly constructed property was acquired in July 2021 and settlement is expected in January 2022

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Australian Unity Office Fund
Independent Expert's Report
10 November 2021

DPF Property Portfolio – Descriptions

- **Caltex Twin Service Centres Wyong:** Lot 32 St Johns Road, Warnervale & Lot 41 St Johns Road, Jilliby NSW: A retail and heavy vehicle refuelling sites located on opposite sides of the M1 Pacific Motorway. The primary tenant on both sides is Caltex
- **20 Smith Street, Parramatta NSW:** A nine level (ground level and eight upper levels), 7,421m^2 commercial office space located on the corner of Smith Street and George Street in Parramatta. The site includes three levels of parking across the basement and two upper levels, accommodating 182 vehicles
- **6-8 Geddes Street, Balcatta WA:** A mixed-use office and warehouse development of two allotments located in Balcatta, a commercial/industrial area 12km north of the Perth CBD
  - 5 Kenhelm Street, Balcatta WA: A 3,000m^2 vacant development site located in Balcatta, a commercial/industrial area 12km north of the Perth CBD.
- **North Blackburn Shopping Centre, 66 – 104 Springfield Road, Blackburn North VIC:** A neighbourhood-sized shopping centre located in the south eastern corner of Springfield Road and Williams Road, approximately 18km east of the Melbourne CBD. The centre is anchored by Woolworths and numerous specialty tenancies and is undergoing an expansion which will see the opening of a full-size Coles and an upgraded array of specialty shop tenancies
- **Dog Swamp Shopping Centre, 6 Wanneroo Road, Yokine WA:** A neighbourhood-sized shopping centre located approximately 5km north of the Perth CBD. The centre is anchored by Woolworths, who occupy 3,322.6m^2, and 30+ speciality tenancies, 2 kiosks and 3 ATMs. The broader 23,862m^2 site offers surfaced on grade car parking for approximately 409 cars
- **Busselton Central Shopping Centre, 30 Kent Street, Busselton WA:** A neighbourhood-sized shopping centre located approximately 230km south of the Perth CBD. The centre is anchored by Coles, who occupy 3,907m^2, and 17 speciality and 2 large format tenancies, respectively. The property was recently expanded and refurbished
  - 21 Prince Street, Busselton WA: A townsite located approximately 230km from the Perth CBD. The current tenant, Red Dot, is on a short-term, 1.5-year lease expiring May 2022. At the end of the lease, the tenant is expected to move into the adjoining shop centre which is currently under expansion
  - Lot 121 & 122, Kent Street and Lot 309, Prince Street, Busselton WA: Three properties located in the south-western coastal town of Busselton, with a combined land area of 2795m^2. The properties are located approximately 230km south of the Perth CBD.
- **620 Mersey Road, Osborne SA:** A site located within the Osborne Naval Shipyard precinct, 21km north of Adelaide and adjacent Outer Harbor. The site is comprised of two 2-level offices and an integrated warehouse as well as a 330-bay car park. The current tenant, Australian Naval Infrastructure, has a 10-year lease expiring July 2030
- **Woodvale Boulevard, 931 Whitfords Avenue, Woodvale WA:** An older-style shopping centre anchored by Woolworths and supported by 27 specialty tenancies. The centre is in Woodvale, an established residential area located approximately 17km north of the Perth CBD

- **1 & 2 Technology Place, Williamtown NSW:** A campus style commercial office park site comprising six freestanding buildings and parking for 469 vehicles. The property was subject to a Contract for Sale for $54,885,000 excluding GST as of April 2021
- **19 Corporate Avenue, Rowville VIC:** An office and warehouse facility located alongside the Eastlink Freeway in Rowville, 29km south east of the Melbourne CBD. The surrounding area consists of a mix of industrial, residential and public use areas, and nearby major arterials including the Monash Freeway. DPF is exploring the divestment of this property.

Appendix 8 – Glossary

Abbreviation	Description
$	Australian Dollars
ABS	Australian Bureau of Statistics
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services License
AOF	Australian Unity Office Fund
AOF Unit	A fully paid ordinary unit in AOF
DPF Unit	A fully paid ordinary unit in DPF
AUPF Unit	A fully paid ordinary unit in AUPF
APESB/ APES	Accounting Professional & Ethical Standards Board/ Accounting Professional & Ethical Standards
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
AUFML	Australian Unity Funds Management Pty Ltd
AUIMA	Australian Unity Investments Management Administration Pty Ltd
AOF RE	Australian Unity Investment Real Estate Limited
AUM	Assets Under Management
AUPF	Australian Unity Property Fund
AUPM	Australian Unity Property Management Pty Ltd
BV	Book value
Cap rate	Capitalisation rate
CBD	Central Business District
CGT	Capital Gains Tax
CHAB	CHAB Office Pty Ltd
CPI	Consumer Price Index
cpu	cents per unit
DCF	Discounted Cash Flow
DPF/ AUDPF	Australian Unity Diversified Property Fund
DPF RE	Australian Unity Property Limited
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation, and amortisation
ESG	Environmental, Social, and Governance
EV	Enterprise Value
FFO	Funds from Operations
FSG	Financial Services Guide
FUM	Funds Under Management
FVTPL	Fair Value Through Profit and Loss

FY	Financial year
GAV	Gross Asset Value
IER	Independent Expert Report
IPO	Initial Public Offering
IRR	Internal rate of return
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
LAFS	Lifeplan Australia Friendly Society Ltd
m^2	square metres
Merged Group/ AUPF	Australian Unity Property Fund
Merger	AOF acquisition of DPF units to create AUPF
Merger Ratio	0.455 AOF unit for every one DPF unit held
MID	Merger Implementation Deed entered into by AOF, DPF and their responsible entities on 4 October 2021
NAV	Net Asset Value
NLA	Net Lettable Area
NPAT	Net Profit After Taxation
NTA	Net Tangible Assets
PDS	Product Disclosure Statement
Proposal	AOF acquisition of DPF units to create AUPF
RBA	Reserve Bank of Australia
REIT	Real Estate Investment Trust
RG	Regulatory Guide
RG 111	Regulatory Guide 111 'Content of expert reports'
RITC	Reduced Input Tax Credits
RPF	Australian Unity Retail Property Fund
S&P	Standard & Poor
Trust Scheme	An arrangement under which AOF acquires all of the DPF Trust units from Trust Scheme Participants
Trust Scheme Participants	Each person registered in the Security Register as a holder of Trust Scheme Units as at the Scheme Record date
VIC/NSW/QLD/WA/SA/ ACT	Victoria/ New South Wales/ Queensland/ Western Australia/ South Australia/ Australian Capital Territory
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
WALE	Weighted Average Lease Expiry
YTD22	Year to date - September 2021

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Part Two – Financial Services Guide

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ("KPMG FAS") ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) ('**KPMG Corporate Finance**'), Adele Thomas as an authorised representative of KPMG Corporate Finance, authorised representative number 404180 and Bill Allen as an authorised representative of KPMG Corporate Finance, authorised representative number 405336 (**Authorised Representative**).

This FSG includes information about:

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

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

Financial services that KPMG FAS and the Authorised Representative are authorised to provide

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

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;
- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units,

to retail and wholesale clients.

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

KPMG FAS and the Authorised Representative's responsibility to you

KPMG FAS has been engaged by Australian Unity Investment Real Estate Limited (**AOF RE , or Client**) as the Responsible Entity of Australian Unity Office Fund (**AOF**) to provide general financial product advice in the form of a Report to be included in the Explanatory Memorandum (**Document**) prepared by **AOF RE** as the Responsible Entity of AOF in relation to the proposed Proposal with Australian Unity Diversified Property Fund (**DPF**) (**Transaction**).
You have not engaged KPMG FAS or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG FAS nor the Authorised Representative are acting for any person other than the Client.
KPMG FAS and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

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

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.
You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG FAS may receive and remuneration or other benefits received by our representatives

KPMG FAS charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG FAS $295,000 for preparing the Report. KPMG FAS and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.
KPMG FAS officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (**the KPMG Partnership**). KPMG FAS's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.
Further details may be provided on request.

Referrals

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

Associations and relationships

Through a variety of corporate and trust structures, KPMG FAS is controlled by and operates as part of the KPMG Partnership. KPMG FAS's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG FAS and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG FAS, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided a range of services to the Client AOF RE as the Responsible Entity for AOF and to its ultimate parent Australian Unity Limited for which professional fees are received. Over the past two years professional fees of approximately $90,000 have been received from the Client and approximately $470,000 from Australian Unity Limited respectively. None of those services have related to the Transaction or alternatives to the Transaction.
No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG FAS or the Authorised Representative know. Complaints can be sent in writing to The Complaints Officer, KPMG, GPO Box 2291U, Melbourne, VIC 3000 or via email (AU-FM-AFSL-COMPLAINT@kpmg.com.au). If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on (03) 9288 5555 and they will assist you in documenting your complaint.

We will acknowledge receipt of your complaint, in writing, within 1 business day or as soon as practicable.
Following an investigation of your complaint, you will receive a written response within 30 calendar days. If KPMG FAS is unable to resolve your complaint within 30 calendar days, we will let you know the reasons for the delay and advise you of your right to refer the matter to the Australian Financial Complaints Authority (**AFCA**).

External complaints resolution process
If KPMG FAS or the Authorised Representative cannot resolve your complaint to your satisfaction within 30 days, you can refer the matter to AFCA. AFCA is an independent body that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry. KPMG FAS is a member of AFCA (member no 11690).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:
Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 931 678
Email: info@afca.org.au.
The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG FAS has professional indemnity insurance cover in accordance with section 912B of the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG FAS or the Authorised Representative using the below contact details:
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Adele Thomas
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PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7621
Facsimile: (02) 9335 7001

Corporate directory

Australian Unity Office Fund

Australian Unity Office Fund
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271 Spring Street
Melbourne VIC 3000

Responsible entity of Australian Unity Office Fund

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AFSL 47434
271 Spring Street
Melbourne VIC 3000

Australian Unity Diversified Property Fund

Australian Unity Diversified Property Fund
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271 Spring Street
Melbourne VIC 3000

Responsible entity of Australian Unity Diversified Property Fund

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Online:	www.boardroomlimited.com.au
By Phone:	(within Australia) 1300 737 760 (outside Australia) +61 2 9290 9600
By Email	proxy@boardroomlimited.com.au

YOUR VOTE IS IMPORTANT

For your vote to be effective, this Proxy Form and any power of attorney under which it is signed must be received at an address set out above by **1:00pm (AEDT) on Wednesday, 8 December 2021.**

TO VOTE ONLINE

STEP 1: VISIT https://www.votingonline.com.au/aofgm2021

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

BY SMARTPHONE

Scan QR Code using smartphone QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

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. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a unitholder of the Fund. Do not write the name of the issue fund or the registered unitholder in the space.

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 on 1300 737 760 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 securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(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 securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

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. An Appointment of Corporate Representative form can be obtained from the Fund's unit registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

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 **1:00pm (AEDT) on Wednesday, 8 December 2021.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

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

Online	https://www.votingonline.com.au/aofgm2021
By Fax	+ 61 2 9290 9655
By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
In Person	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia
By Email	proxy@boardroomlimited.com.au

Australian Unity Office Fund
ARSN 113 369 627

☐ **Your Address**
This is your address as it appears on the unit register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.
Please note, you cannot change ownership of your securities 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 General Meeting of the Fund to be held as a **virtual meeting via web.lumiagm.com/309-536-856 on Friday, 10 December 2021 at 1:00pm (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	That, subject to the passing of Resolution 2 and the DPF Unitholder Resolution, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue by AOF RE of 0.4550 AUPF Units for each DPF Unit held by DPF Unitholders as at the Proposal Record Date for the purposes of, and on the terms set out in, the Explanatory Memorandum accompanying this Notice of Meeting.	☐	☐	☐
Resolution 2	That, subject to the passing of Resolution 1 and the DPF Unitholder Resolution, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for AOF RE to issue 0.4550 AUPF Units for each DPF Unit held by AUL Group Members as at the Proposal Record Date for the purposes of, and on the terms set out in, the Explanatory Memorandum accompanying this Notice of Meeting.	☐	☐	☐

PLEASE NOTE THAT RESOLUTIONS 1 AND 2 MUST BE PASSED FOR THE PROPOSAL TO PROCEED

STEP 3 SIGNATURE OF SECURITYHOLDERS

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

Individual or Securityholder 1	Securityholder 2	Securityholder 3
☐	☐	☐
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name…………………………………………….... Contact Daytime Telephone……………………….............................. Date / / 2021

ONLINE UNITHOLDERS' MEETING GUIDE 2021

Attending the Unitholder Meeting virtually

If you choose to participate online, you will be able to view a live webcast of the meeting, ask questions and submit your votes in real time.

To access the meeting:

Visit web.lumiagm.com/309536856 on your computer, tablet or smartphone. You will need the latest version of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

Meeting ID: 309-536-856

To login you must have your Voting Access Code (VAC) and Postcode or Country Code

The website will be open and available for log in from 12:00pm, 10 December 2021

Using the Lumi AGM platform:

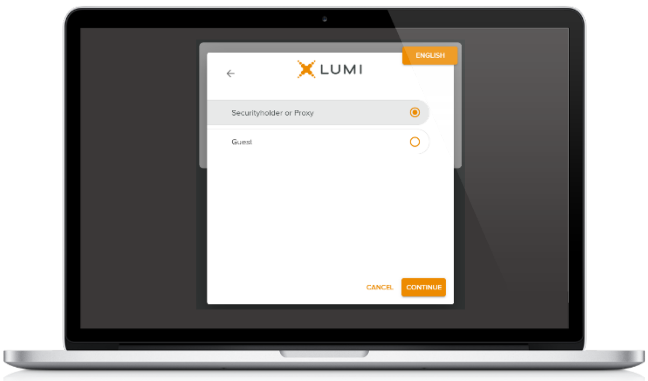
ACCESS

The 1st page of the platform will ask in what capacity you are joining the meeting.

Unitholders or appointed proxies should select

"Unitholder or Proxyholder"

Guests should select "Guest"

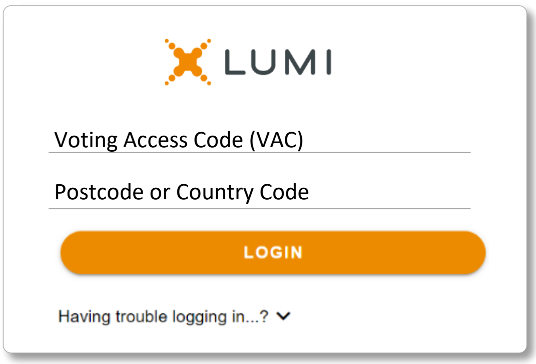


CREDENTIALS

Unitholders/Proxys

Your username is your Voting Access Code and your password is your Postcode or Country Code, or, for Non-Australian residents, your 3-letter country code.

Proxy holders should obtain their log in credentials from the registrar by calling 1300 737 760



Guests

Please enter your name and email address to be admitted into the meeting.

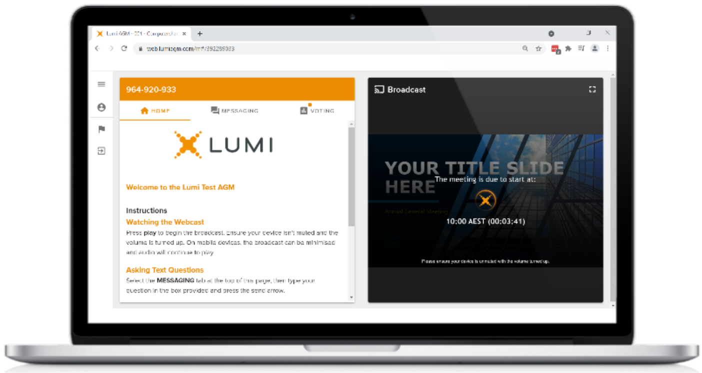
Please note, guests will not be able to ask questions or vote at the meeting.

NAVIGATION

Once successfully authenticated, the home page will appear. You can view meeting instructions, ask questions and watch the webcast.

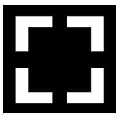
If viewing on a computer the webcast will appear at the side automatically once the meeting has started.

On a mobile device, select the broadcast icon at the bottom of the screen to watch the webcast.



During the meeting, mobile users can minimise the webcast at any time by selecting the arrow by the broadcast icon. You will still be able to hear the meeting. Selecting the broadcast icon again will reopen the webcast.

Desktop / Laptop users can watch the webcast full screen, by selecting the full screen icon.

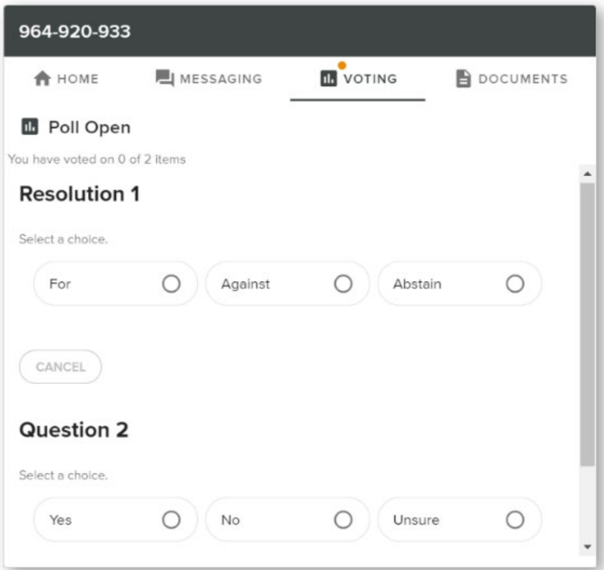


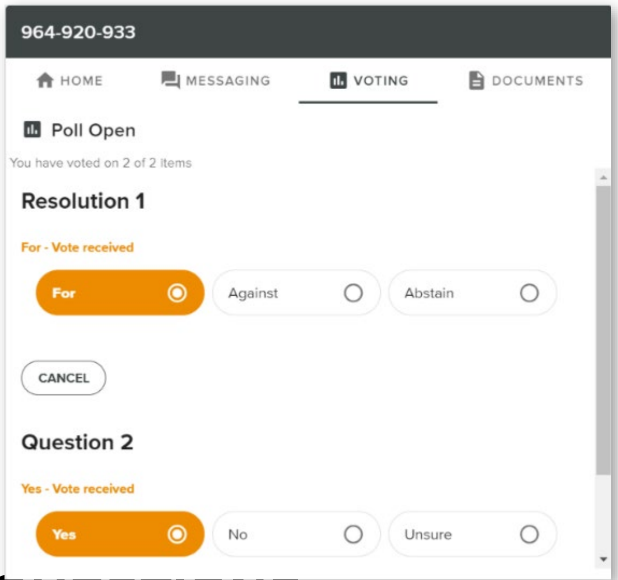
To reduce the webcast to its original size, select the X at the top of the broadcast window.

VOTING

The Chair will open voting on all resolutions at the start of the meeting. Once voting has opened, the voting tab will appear on the navigation bar.

Selecting this tab will open a list of all resolutions and their voting options.





To vote, simply select your voting direction from the options displayed on screen. Your selection will change colour and a confirmation message will appear.

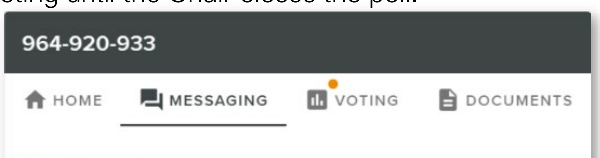
To change your vote, simply select another option. If you wish to cancel your vote, please press cancel.

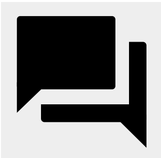
There is no need to press a submit or send button. Your vote is automatically counted.

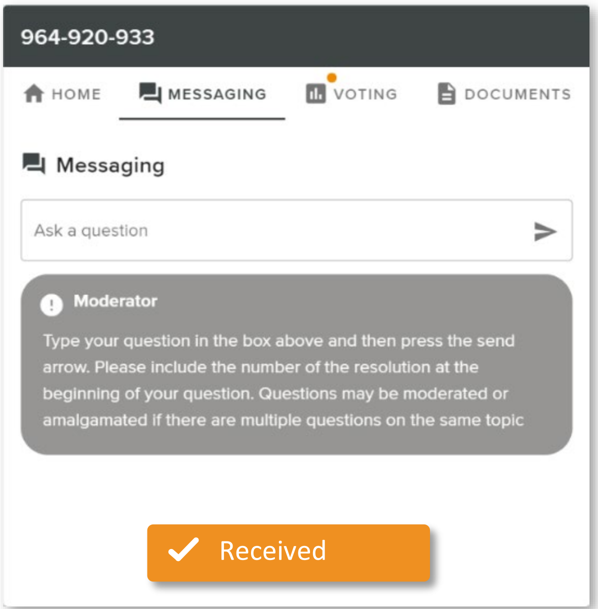
Voting can be performed at any time during the meeting until the Chair closes the poll.

QUESTIONS

Any unitholder or appointed proxy is eligible to ask questions.

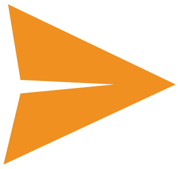






Select the "Ask a Question" box and type in your message.

Once you are happy with your message, select the send icon.



Questions sent via the Lumi platform may be moderated before being sent to the Chair. This is to avoid repetition and remove any inappropriate language.

Asking Audio Questions

If you are a unitholder or proxy you can ask a verbal question. Dial by your location below:
+61 7 3185 3730 Australia
+61 8 6119 3900 Australia
+61 8 7150 1149 Australia
+61 2 8015 6011 Australia
+61 3 7018 2005 Australia

Find your local number: https://boardroom-media.zoom.us/u/acqWmpYciu

Once dialled in you will be asked to enter a meeting ID. Please ensure your webcast is muted before joining the call.

You will be asked for a participant pin however simply press # to join the meeting. You will be muted upon entry. To ask a question press *9 to signal the moderator. Once your question has been answered your line will be muted. Feel free to either hang up or stay on the line. For additional questions press *9 to signal the operator.

Meeting ID: 309-536-856

To login you must have your Voting Access Code (VAC) and Postcode or Country Code

The website will be open and available for log in from 12:00pm, 10 December 2021

Country Codes

For overseas shareholders, select your country code from the list below and enter it into the password field.

ABW	Aruba
AFG	Afghanistan
AGO	Angola
AIA	Anguilla
ALA	Aland Islands
ALB	Albania
AND	Andorra
ANT	Netherlands Antilles
ARE	United Arab Emirates
ARG	Argentina
ARM	Armenia
ASM	American Samoa
ATA	Antarctica
ATF	French Southern
ATG	Antigua & Barbuda
AUS	Australia
AUT	Austria
AZE	Azerbaijan
BDI	Burundi
BEL	Belgium
BEN	Benin
BFA	Burkina Faso
BGD	Bangladesh
BGR	Bulgaria
BHR	Bahrain
BHS	Bahamas
BIH	Bosnia & Herzegovina
BLM	St Barthelemy
BLR	Belarus
BLZ	Belize
BMU	Bermuda
BOL	Bolivia
BRA	Brazil
BRB	Barbados
BRN	Brunei Darussalam
BTN	Bhutan
BUR	Burma
BVT	Bouvet Island
BWA	Botswana
CAF	Central African Republic
CAN	Canada
CCK	Cocos (Keeling) Islands
CHE	Switzerland
CHL	Chile
CHN	China
CIV	Cote D'ivoire
CMR	Cameroon
COD	Democratic Republic of Congo
COK	Cook Islands
COL	Colombia
COM	Comoros
CPV	Cape Verde
CRI	Costa Rica
CUB	Cuba
CYM	Cayman Islands
CYP	Cyprus
CXR	Christmas Island
CZE	Czech Republic
DEU	Germany
DJI	Djibouti
DMA	Dominica
DNK	Denmark
DOM	Dominican Republic
DZA	Algeria
ECU	Ecuador
EGY	Egypt
ERI	Eritrea
ESH	Western Sahara
ESP	Spain
EST	Estonia
ETH	Ethiopia
FIN	Finland
FJI	Fiji
FLK	Falkland Islands (Malvinas)
FRA	France
FRO	Faroe Islands
FSM	Micronesia
GAB	Gabon
GBR	United Kingdom
GEO	Georgia
GGY	Guernsey
GHA	Ghana
GIB	Gibraltar
GIN	Guinea
GLP	Guadeloupe
GMB	Gambia
GNB	Guinea-Bissau
GNQ	Equatorial Guinea
GRC	Greece
GRD	Grenada
GRL	Greenland
GTM	Guatemala
GUF	French Guiana
GUM	Guam
GUY	Guyana
HKG	Hong Kong
HMD	Heard & Mcdonald Islands
HND	Honduras
HRV	Croatia
HTI	Haiti
HUN	Hungary
IDN	Indonesia
IMN	Isle Of Man
IND	India
IOT	British Indian Ocean Territory
IRL	Ireland
IRN	Iran Islamic Republic of
IRQ	Iraq
ISM	Isle of Man
ISL	Iceland
ISR	Israel
ITA	Italy
JAM	Jamaica
JEY	Jersey
JOR	Jordan
JPN	Japan
KAZ	Kazakhstan
KEN	Kenya
KGZ	Kyrgyzstan
KHM	Cambodia
KIR	Kiribati
KNA	St Kitts And Nevis
KOR	Korea Republic of
KWT	Kuwait
LAO	Laos
LBN	Lebanon
LBR	Liberia
LBY	Libyan Arab Jamahiriya
LCA	St Lucia
LIE	Liechtenstein
LKA	Sri Lanka
LSO	Lesotho
LTU	Lithuania
LUX	Luxembourg
LVA	Latvia
MAC	Macao
MAF	St Martin
MAR	Morocco
MCO	Monaco
MDA	Republic Of Moldova
MDG	Madagascar
MDV	Maldives
MEX	Mexico
MHL	Marshall Islands
MKD	Macedonia Former Yugoslav Rep
MLI	Mali
MLT	Mauritania
MMR	Myanmar
MNE	Montenegro
MNG	Mongolia
MNP	Northern Mariana Islands
MOZ	Mozambique
MRT	Mauritania
MSR	Montserrat
MTQ	Martinique
MUS	Mauritius
MWI	Malawi
MYS	Malaysia
MYT	Mayotte
NAM	Namibia
NCL	New Caledonia
NER	Niger
NFK	Norfolk Island
NGA	Nigeria
NIC	Nicaragua
NIU	Niue
NLD	Netherlands
NOR	Norway Montenegro
NPL	Nepal
NRU	Nauru
NZL	New Zealand
OMN	Oman
PAK	Pakistan
PAN	Panama
PCN	Pitcairn Islands
PER	Peru
PHL	Philippines
PLW	Palau
PNG	Papua New Guinea
POL	Poland
PRI	Puerto Rico
PRK	Korea Dem Peoples Republic of
PRT	Portugal
PRY	Paraguay
PSE	Palestinian Territory Occupied
PYF	French Polynesia
QAT	Qatar
REU	Reunion
ROU	Romania
RUS	Russian Federation
RWA	Rwanda
SAU	Saudi Arabia Kingdom Of
SDN	Sudan
SEN	Senegal
SGP	Singapore
SGS	Sth Georgia & Sth Sandwich Isl
SHN	St Helena
SJM	Svalbard & Jan Mayen
SLB	Solomon Islands
SCG	Serbia & Outlying
SLE	Sierra Leone
SLV	El Salvador
SMR	San Marino
SOM	Somalia
SPM	St Pierre And Miquelon
SRB	Serbia
STP	Sao Tome And Principe
SUR	Suriname
SVK	Slovakia
SVN	Slovenia
SWE	Sweden
SWZ	Swaziland
SYC	Seychelles
SYR	Syrian Arab Republic
TCA	Turks & Caicos Islands
TCD	Chad
TGO	Togo
THA	Thailand
TJK	Tajikistan
TKL	Tokelau
TKM	Turkmenistan
TLS	Timor-Leste
TMP	East Timor
TON	Tonga
TTO	Trinidad & Tobago
TUN	Tunisia
TUR	Turkey
TUV	Tuvalu
TWN	Taiwan
TZA	Tanzania United Republic of
UGA	Uganda
UKR	Ukraine
UMI	United States Minor
URY	Uruguay
USA	United States of America
UZB	Uzbekistan
VNM	Vietnam
VUT	Vanuatu
WLF	Wallis & Futuna
WSM	Samoa
YEM	Yemen
YMD	Yemen Democratic
YUG	Yugoslavia Socialist Fed Rep
ZAF	South Africa
ZAR	Zaire
ZMB	Zambia
ZWE	Zimbabwe