



GARDA

Notice of General Meeting and Explanatory Memorandum

Issued by GARDA Capital Limited ACN 095 039 366
as the responsible entity of GARDA Diversified Property
Fund ARSN 104 391 273 (ASX code: GDF)

Prospectus

Issued by GARDA Holdings Limited ACN 636 329 774

Date	Friday, 1 November 2019
Time	10.00 am (AEST)
Location	Dexus Place, Level 31, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000

THE INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT GDF SECURITYHOLDERS VOTE IN FAVOUR OF ALL RESOLUTIONS IN THE ABSENCE OF A SUPERIOR PROPOSAL

This booklet is an important document and should be read in its entirety. If you have any queries, you should consult an independent and appropriately licenced and authorised professional adviser.

THE INDEPENDENT EXPERT HAS CONCLUDED THE INTERNALISATION IS FAIR AND REASONABLE TO GDF SECURITYHOLDERS OTHER THAN EXCLUDED SECURITYHOLDERS, IN THE ABSENCE OF A SUPERIOR PROPOSAL



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as the responsible entity of GARDA Diversified Property Fund
ARSN 104 391 273 (ASX code: GDF)

Date	Friday, 1 November 2019
Time	10.00 am (AEST)
Location	Dexus Place, Level 31, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000

About this document

This document comprises a Notice of Meeting and Explanatory Memorandum (**Booklet**) which, together with the prospectus issued by GARDA Holdings Limited, contain detailed information about a proposal for the internalisation of the management of the Fund (**Internalisation**), its impacts on GDF Securityholders and the resolutions to be voted on (**Resolutions**).

YOUR VOTE IS IMPORTANT

The Internalisation cannot proceed unless both Resolutions are passed by a simple majority of GDF Securityholders present and entitled to vote (in person or by proxy) at the Meeting, and all other conditions of the Internalisation are satisfied or waived.

Your vote is important regardless of how many GDF units you own. If you wish for the Internalisation to proceed, it is important that you vote, either in person or by proxy, in favour of the Resolutions. The Resolutions are detailed in this Booklet.

WHAT SHOULD YOU DO?

The Internalisation requires the approval of GDF Securityholders. You should:

1. READ

GDF Securityholders should read this Booklet and the Prospectus carefully before making any decision about how to vote. All GHL Shares offered to implement the Internalisation shall be taken to be received by GDF Securityholders pursuant to, and on the basis they have considered the contents of, the Prospectus.

2. VOTE

GDF Securityholders wishing to vote on the Resolutions must either attend the Meeting at 10.00 am (AEST) on Friday, 1 November 2019 or return their proxy form by 10.00 am (AEST) on Wednesday, 30 October 2019.

FURTHER INFORMATION

If you have further queries please contact the toll free GDF Information Line on 1300 889 100 between 8:30 am and 5:00 pm (AEST) Monday to Friday (excluding public holidays).

If you have queries or uncertainties relating to any matter you should consult your stockbroker, accountant or other professional adviser.

Any material amendment to the Internalisation will be announced to the market through ASX and posted on the Fund's website at <https://www.gardacapital.com.au>.

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IMPORTANT NOTICES

This information is important and requires your attention.

This document comprises an explanatory memorandum and notice of meeting (Booklet) which, together with the prospectus issued by GARDA Holdings Limited ACN 636 329 774 (Prospectus), contain detailed information about a proposal for the internalisation of the management of GARDA Diversified Property Fund ARSN 104 391 273 (Fund or GDF), its impacts on GDF securityholders and the resolutions to be voted on (Resolutions).

It is important that you read both the Booklet and Prospectus carefully prior to deciding how to vote.

In particular you should pay careful consideration to benefits, disadvantages and potential risks of the Internalisation as outlined in Section 8, and the tax implications in Section 10 as they relate to your personal investment objectives, financial circumstances and needs.

GDF Securityholders will have the right to vote on the Resolutions, subject to the voting exclusions set out in the Notice of Meeting in Section 12 of this Booklet.

If you have any queries or are unsure about aspects of this document or the Internalisation please consult your stockbroker, accountant or other professional adviser.

The parties

The Internalisation involves two entities: GARDA Property Group and GARDA Capital Group.

GARDA Property Group

GARDA Property Group comprises:

- GARDA Diversified Property Fund (**GDF or Fund**) (including GARDA Capital Limited (**GCL**) in its capacity as responsible entity of GDF (**GCL RE**) and the Custodian, as the context requires); and
- GARDA Holdings Limited (**GHL**),

and their Subsidiaries.

GDF is an externally managed, ASX-listed, Australian REIT and owns 100% of the GHL Shares at the date of this Booklet.

GHL is a newly established, dormant company that has the same number of issued GHL Shares as there are GDF Units.

GARDA Capital Group

GARDA Capital Group (**GCM**) comprises:

- GCL in its own right; and
- GARDA Capital Trust (**GCT**) (including GARDA Funds Management Limited in its capacity as responsible entity of GCT and the Custodian, as context requires),

and their Subsidiaries.

GCL is a real estate investment and funds manager and the responsible entity of GDF. GCL also conducts other real estate investment and funds management business activities.

GCT owns approximately 11.8% of GDF at the date of this Booklet.

Background to the Internalisation

On 20 September 2019, GCL RE announced a proposal whereby GARDA Property Group would acquire 100% of GARDA Capital Group (**Internalisation**).

The Internalisation requires approval by GDF Securityholders

and certain approvals from GCM Securityholders. If these approvals are obtained and the other specified Conditions are satisfied or waived:

- GARDA Property Group will become a stapled entity and GDF Securityholders will become holders of ASX-listed GDF Stapled Securities;
- GARDA Property Group will acquire 100% of GARDA Capital Group, with GCM Securityholders receiving 1.6 New GDF Stapled Securities for each GCM Security held at the Schemes Record Date; and
- GARDA Property Group will become an internally managed, stapled entity.

Booklet

This Booklet dated 4 October 2019 is issued by GCL RE.

This Booklet should be read with the Prospectus dated 4 October 2019 issued by GHL.

Note to GDF Securityholders

The information contained in this Booklet does not contain financial product advice and does not take into account the investment objectives, financial situation, tax position or needs of particular GDF Securityholders.

Accordingly, GDF Securityholders should read this Booklet and the Prospectus and any supplementary prospectus in full. It is recommended that before voting on the Resolutions, GDF Securityholders carefully consider the information in this Booklet and the Prospectus in light of their particular circumstances and seek appropriate professional advice from an accountant or other professional advisers.

Responsibility statement

Except as outlined below, the information contained in this Booklet has been provided by GCL RE and is its responsibility alone. Except as outlined below, neither the GARDA Capital Group, nor any of its respective officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

The GCM Information has been prepared by, and is the responsibility of, the GARDA Capital Group. Neither GCL RE nor GHL, nor the Independent Directors, officers, employees or their advisers assume any responsibility for the accuracy or completeness of such information.

Both GCL RE and the GARDA Capital Group have provided and are jointly liable for, the Joint Information, subject to the fact that:

- the GARDA Capital Group has provided, and is responsible for, the financial information concerning GCL and GCT, or upon which that information is based; and
- GCL RE has provided, and is responsible for, the financial information concerning GHL and GDF, or upon which that information is based.

GCL RE takes full responsibility for the contents of this Booklet other than the GCM Information and the Joint Information provided by GARDA Capital Group, subject to the limitations set out below.

Loneragan Edwards has prepared the Independent Expert's Report (contained in Section 9 of this Booklet) and takes responsibility for that report. None of GCL RE, GHL, GCL nor GCT, nor their respective officers, employees or advisers assume any responsibility for the accuracy or completeness of

the information contained in the Independent Expert's Report, except to the extent that those parties are responsible for the factual information provided to the Independent Expert in preparation of the Independent Expert's Report.

PwC has prepared the Taxation Report (contained in Section 10 of this Booklet). PwC takes responsibility for that report. None of GCL RE, GHL, GCL nor GCT, nor their respective officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information contained in the Taxation Report, except to the extent that those parties are responsible for the factual information provided to PwC in the preparation of the Taxation Report.

Pitcher Partners has prepared the Independent Limited Assurance Report (contained as Annexure A to this Booklet) and takes responsibility for that report. None of GCL RE, GHL, GCL, nor GCT, nor their respective officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Limited Assurance Report, except to the extent that those parties are responsible for the factual information provided to the Investigating Accountant in preparation of the Independent Limited Assurance Report.

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

Disclaimer

This Booklet and the Prospectus include information regarding the past performance of the Fund and the GARDA Capital Group. Past performance should not be relied upon as being indicative of future performance.

Except as required by law, and only to the extent so required, neither GCL RE nor any person guarantees or warrants the future performance of GDF, GHL, GARDA Property Group, the repayment of capital, or any return on the Fund, GHL or GARDA Property Group.

This Booklet and the Prospectus contain forward-looking statements in relation to the performance and strategy of GDF and GARDA Property Group. Any statements contained in this Booklet and the Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as 'aim', 'anticipate', 'believe', 'could', 'due', 'estimate', 'expect', 'forecasts', 'guidance', 'goal', 'intend', 'may', 'objective', 'outlook', 'plan', 'predict', 'potential', 'positioned', 'should', 'target', 'will', 'would' and other similar expressions. In particular, the statements about the impact that the Resolutions may have on GARDA Property Group's operations, and the advantages and disadvantages which may result should the Resolutions be passed and the Internalisation implemented, are forward looking statements.

Any forward-looking statements are subject to various risks, uncertainties and other factors that are in some cases beyond the control of GCL RE and its Directors, officers, employees, agents and advisers. The actual results of GDF, GHL and/or GARDA Property Group following implementation or rejection of the proposed changes set out in this Booklet may differ materially from the results expressed or anticipated in these statements, in respect of timing, amount or nature, and may never be achieved. These forward-looking statements are provided as a general guide only and are not guarantees of future performance or development. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the disadvantages and risk factors described in Section 4 and Section 8 (and Section 5 of the Prospectus).

GDF Securityholders are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements.

Other than as required by law, none of GCL RE, its Directors, officers, employees, agents or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Booklet or the Prospectus will actually occur.

These forward-looking statements are made only at, and are based on views held and assumptions at the date of this Booklet, unless otherwise stated. Unless required by law, GCL RE and its Directors do not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks GDF, GHL and/or GARDA Property Group describe in the reports to be filed from time to time with ASX after the date of this Booklet.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Booklet and the Prospectus 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 Booklet and the Prospectus.

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

Obtaining a copy of this Booklet and the Prospectus

An electronic version of this Booklet and the Prospectus is available to GDF Securityholders online at www.gardacapital.com.au. If you access the Booklet or the Prospectus electronically please ensure that you download both documents in their entirety.

New Zealand disclaimer

Neither GHL Shares nor the GDF Stapled Securities are being offered to the public within New Zealand. In New Zealand, the GHL Shares are only being transferred under the Prospectus to existing GDF Securityholders with registered addresses in New Zealand, in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Booklet has been prepared in compliance with Australian law. This document is not a product disclosure statement under the Financial Markets Conduct Act 2013 (**FMC Act**) or other similar offering or disclosure document under New Zealand law and has not been registered, filed with, or approved by any New Zealand regulatory authority or under or in accordance with the FMC Act or any other relevant law in New Zealand. It does not contain all the information that a product disclosure document, under New Zealand law, is required to contain.

Restrictions on distribution

This Booklet and the Prospectus do not constitute an offer of, or an invitation to buy, securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this Booklet and the Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Booklet and the Prospectus outside Australia should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, securities referred to in this Booklet and the Prospectus have not been, and will not be, registered under the US Securities Act or the securities laws of any state or

other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

Neither this Booklet nor the Prospectus have been filed with or reviewed by the US Securities and Exchange Commission or any securities authority of any state or other jurisdiction of the United States and none of them has passed upon or endorsed the merits of the Internalisation or the accuracy, adequacy or completeness of this Booklet. Any representation to the contrary is a criminal offence.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified professional adviser.

Neither GCL RE, nor any of its representatives, directors, officers, employees, agents or advisers accepts any liability or responsibility to determine whether a person is able to participate as a GDF Securityholder in GARDA Property Group.

Defined terms

Capitalised terms used in this Booklet are defined in the glossary in Section 13. All references to time in this Booklet refer to AEST unless otherwise specified.

Further questions

If you have any queries relating to aspects of this Booklet please call the toll free GDF Information Line on 1300 889 100 between 8:30 am and 5:00 pm (AEST) Monday to Friday on business days.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY, AND IN CONJUNCTION WITH THE PROSPECTUS.

Important dates

Lodgement of the Prospectus with ASIC	4 October 2019
Despatch Booklet and Prospectus to GDF Securityholders	8 October 2019
Deadline to return Proxy Form	10.00 am on 30 October 2019
Voting entitlements for the Meeting	7.00 pm (Sydney time) on 30 October 2019
Meeting of GDF Securityholders to approve the Resolutions	10.00 am AEST on 1 November 2019
Meeting of GCM Securityholders to approve the Internalisation	15 November 2019
If the Resolutions are approved and the Conditions are satisfied or waived:	
Last day of ASX trading in Existing Units	19 November 2019
Effective date for the Schemes (following approval by GCM Securityholders and the Court, and filing of Court orders)	19 November 2019
Admission of GHL Shares to Official List (to trade as part of the GDF Stapled Securities)	20 November 2019
GDF Stapled Securities (including New GDF Stapled Securities) commence trading on ASX on a deferred settlement basis	
Stapling Record Date	21 November 2019
Last day for registration of transfers of Existing Units	
Stapling Commencement Date	
GHL Shares received by GDF Securityholders	
Implementation Date – the date of transfer of all Scheme Securities to GARDA Property Group and issue of New GDF Stapled Securities	29 November 2019
Expected date for despatch of holding statements	29 November 2019
Expected commencement of trading of GDF Stapled Securities on ASX (on a normal T+2 settlement basis)	2 December 2019

The timetable above is indicative only. GCL RE and GHL reserve the right to vary any or all of the times and dates subject to the Corporations Act, the Listing Rules, any order of the Court and other applicable laws, or to withdraw the Internalisation, without prior notice.

Any amendment to the Internalisation timetable will be announced to the market through ASX and posted on the website at <https://www.gardacapital.com.au/>.

The quotation and commencement of trading of GDF Stapled Securities is subject to confirmation from ASX.

Letter from the Independent Directors

Dear GDF Securityholder,

As announced on 20 September 2019, you are being asked to consider and vote on a proposal for GARDA Diversified Property Fund (**Fund** or **GDF**) to effect the internalisation of its management function through the acquisition of a 100% interest in GARDA Capital Group (ASX: GCM) (**GCM** or **GARDA Capital Group**) (the **Internalisation**).

The merged group, **GARDA Property Group**, would be a diversified, internally managed real estate platform with 17 industrial and commercial properties on the eastern seaboard of Australia. This platform would be augmented with established asset management, development, leasing, debt arrangement and investment capabilities acquired with GARDA Capital Group.

WHY IS YOUR VOTE REQUIRED?

The Internalisation requires GDF Securityholder approval because it will involve the acquisition of GCM Securities from certain related parties and substantial holders of GDF¹. The Internalisation will not proceed if the resolutions in the Notice of Meeting (**Resolutions**) are not approved by GDF Securityholders.

GCM holds 11.8% of GDF units at the date of this letter, however it will not vote on the Resolutions.

IMPLEMENTING THE INTERNALISATION

The Internalisation involves two broad steps:

- the establishment and stapling of the GARDA Property Group, comprising GDF and the newly established GARDA Holdings Limited (**GHL**); and
- the acquisition by GARDA Property Group of a 100% interest in GARDA Capital Group by way of inter-conditional scheme of arrangement and trust scheme (**Schemes**).

Implementation of the Internalisation requires approval by GDF Securityholders, approval by GCM Securityholders and satisfaction of other Conditions. The Conditions are set out in section 11.2 of the Booklet.

WHAT IS GDF PAYING TO EFFECT THE INTERNALISATION?

To effect the Internalisation, GARDA Property Group is offering 1.6 of its new securities (**GDF Stapled Securities**) for each GCM Security on issue. If the Internalisation is successful, GCM Securityholders will own approximately 21% of GARDA Property Group with 79% owned by GDF Securityholders.²

Based on the distribution adjusted closing price of GDF units as at 19 September 2019, GDF will acquire a 100% interest in GCM for \$61.6 million. Adjusting for GCM's net tangible assets of \$29.3 million³ as at 30 June 2019, this implies a value for the GCM Management Platform of \$32.4 million or 7.7 times FY20 earnings before interest and tax.

WHY IS GDF UNDERTAKING THE INTERNALISATION?

The Independent Directors have identified the following key advantages of the Internalisation:

- **Value accretive** – the Internalisation is expected to be 12.6% 'Value' accretive⁴ for GDF Securityholders;
- **No impact on FY20 distributions** - GARDA Property Group reaffirms GDF's distribution guidance of 9.0 cents per GDF Stapled Security for FY20;

¹ For the relevant purposes under the Listing Rules, a substantial holder is a person that holds a relevant interest in the entity of 10% or more (or has held the same at any time in the last six months).

² The 21.9 million GDF Units currently held by GCT will convert to securities in GARDA Property Group and be designated as Treasury Stock upon implementation of the Internalisation. Accordingly, they have been excluded from GARDA Property Group's total issued capital in calculating the ownership interest of GCM Securityholders. It is intended that the Treasury Stock will be sold in the medium term following the Internalisation.

³ Including \$3.75 million of loans attaching to 2.4 million employee security plan securities.

⁴ 'Value' is the term used to describe GARDA Property Group's FFO after adjusting for capital expenditure fees, leasing fees and other payments capitalised by GDF but recognised as revenue by GCM. This GCM revenue is eliminated in the forecast consolidated income statement for GARDA Property Group but without a corresponding offset for the amounts capitalised by GDF, resulting in a net negative impact on FFO. Accordingly, to recognise the value associated with GDF's capitalised expenditure, the capitalised expenditure has been added back to FFO to arrive at 'Value'. The relevant amount of capitalised GDF expenditure in FY20 is approximately \$2.78 million.

- **Aligned interests and corporate governance benefits** – following the Internalisation, management will be engaged and incentivised directly by GARDA Property Group and the Board will be directly accountable to all GDF Stapled Security holders;
- **Management stability and alignment** – senior management of GCM have indicated that they will remain with GARDA Property Group following the Internalisation. The Managing Director, other Directors and certain key management will acquire Relevant Interests in New GDF Stapled Securities as part of the Internalisation, which is expected to further increase alignment;
- **Enhanced growth opportunities** – the Fund will benefit from operating leverage, meaning new acquisitions should not require a step increase in internal management costs, which may result in a stronger competitive position when bidding for assets; and
- **Increased investor participation** – the Internalisation provides GARDA Property Group with additional scale, and the potential for increased market liquidity and investor reach. Further, it aligns the business model to a more common structure of large Australian REITs, which may assist in attracting new investors.

More detail on the advantages of the Internalisation can be found in section 3 of the Booklet.

DISADVANTAGES AND RISKS TO THE INTERNALISATION

There are a number of reasons why GDF Securityholders may choose to vote against the Resolutions, including:

- **Disagree with Independent Directors' recommendation or conclusion of the Independent Expert** – GDF Securityholders may disagree with the Independent Directors' recommendation or the conclusion of the Independent Expert;
- **Reduction in net tangible assets** – the implementation of the Internalisation is expected to reduce GDF's pro forma net tangible assets per security as at 30 June 2019 from \$1.34 to \$1.18. However, pro forma net asset value per security is expected to marginally increase from \$1.34 to \$1.35;
- **Operating expenses** – while the Internalisation will save payment of external management fees, it will mean that GDF Securityholders are directly exposed to the ongoing operating costs of management;
- **Prefer to remain an externally managed trust** – GDF Securityholders may prefer to retain the existing external management structure. However, this will result in GDF Securityholders continuing to pay funds management, asset management, leasing and capital expenditure fees to GCM. In FY19 GDF paid \$6.3 million in fees to GCM;
- **Dilution of existing GDF Securityholders** – existing GDF Securityholders will be diluted to some extent by the issuance of securities to GCM Securityholders; and
- **Risks** – risks associated with the Internalisation including:
 - exposure to the operation of the management business (which may include operating cost structure changes), the real estate finance business and historical liabilities of GCM; and
 - no certainty that internalisation of management will maintain or improve the security price of GDF Stapled Securities.

More detail on the disadvantages and risks of the Internalisation can be found in sections 4 and 8 of the Booklet.

INDEPENDENT EXPERT'S OPINION

The Independent Expert has concluded that the Internalisation is fair and reasonable to GDF Securityholders other than Excluded Securityholders, in the absence of a superior proposal. A full copy of the Independent Expert's Report is included as section 9 of this Booklet and we encourage you to review it carefully.

INDEPENDENT DIRECTORS' RECOMMENDATION

To assess and implement the Internalisation, a committee of Directors has been formed comprising Morgan Parker and Philip Lee (together, the **Independent Directors**).⁵ A strict governance and information sharing protocol was adopted to ensure independent consideration of the Internalisation. External legal, tax and financial advisers were engaged, as well as the Independent Expert.

After careful consideration, the Independent Directors unanimously recommend that you vote in favour of the

⁵ Morgan Parker is an independent non-executive Director who was appointed on 13 December 2018. Philip Lee has been a non-executive Director since 21 May 2015. Mr Lee has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Mr Lee remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Mr Lee from bringing an independent judgement to bear on issues relating to the Internalisation.

Resolutions in the absence of a Superior Proposal, for the reasons outlined in this letter and the Booklet.

FURTHER INFORMATION

This Booklet sets out important information regarding the Internalisation, and we encourage you to consider it carefully and in its entirety. If you require any further information, please call the GDF Information Line on 1300 889 100 (within Australia) or +61 1300 889 100 (outside Australia) between 8.30 am and 5.00 pm (AEST). Alternatively, you may also contact your financial, legal, taxation or other professional adviser.

CONCLUSION

We are pleased to present this opportunity to GDF Securityholders. We look forward to your participation at the Meeting and encourage you to vote in favour of the Internalisation in the absence of a Superior Proposal.



Philip Lee
Independent Director



Morgan Parker
Independent Director



GARDA

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FREQUENTLY ASKED QUESTIONS

1. Frequently asked questions

The information set out in this Section 1 is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Booklet.

Topic	Summary	More information
Why have I received this Booklet?	<p>This Booklet has been sent to you because you are a GDF Securityholder and you are being asked to vote on the Internalisation. This Booklet is intended to help you decide how to vote on the Resolutions.</p> <p>You should carefully read this Booklet and the Prospectus and, if necessary, consult your financial, investment, taxation or other professional adviser before voting on the Resolutions.</p>	-
What is the Internalisation?	<p>The Internalisation is a proposal by GDF to internalise its management through it (and a new company, GARDA Holdings Limited (GHL)) (together, GARDA Property Group) acquiring GARDA Capital Group.</p> <p>The Internalisation (if approved and implemented) involves the following key steps:</p> <ul style="list-style-type: none"> the establishment and stapling of GARDA Property Group, comprising GDF and GHL; and the acquisition by GARDA Property Group of a 100% interest in GARDA Capital Group by way of inter-conditional scheme of arrangement and trust scheme (Schemes). 	Section 2
Who is GARDA Property Group?	<p>GARDA Property Group comprises GDF (including GCL RE or the Custodian, as context requires) and GHL.</p> <p>GDF is currently an externally managed, ASX-listed, Australian REIT.</p> <p>GHL is a newly established, dormant company that has the same number of issued GHL Shares as there are GDF Units. It is wholly owned by the GDF (through the Custodian) at the date of this Booklet.</p> <p>If the Conditions are satisfied or waived:</p> <ul style="list-style-type: none"> GHL Shares and GDF Units will be Stapled, forming GDF Stapled Securities, the constituent securities of GARDA Property Group; and GARDA Property Group would acquire GARDA Capital Group via GHL and GDF offering new securities to acquire 100% interests in GCL and GCT, respectively. The offer consideration would then be stapled to form New GDF Stapled Securities. <p>If the Internalisation is implemented, GDF Stapled Securities will trade on the ASX under the existing code 'GDF'.</p>	Sections 2 and 6
Who is GARDA Capital Group?	<p>GARDA Capital Group is listed on the ASX under the code 'GCM' and comprises GCL and GARDA Capital Trust (GCT). GCL is the current responsible entity and manager of GDF.</p> <p>GARDA Capital Group also conducts other real estate investment and funds management business activities.</p> <p>GCT (through its Custodian) is the second largest unitholder in GDF with a holding of 11.8% at the date of this Booklet.</p>	Sections 2.1 and 5
What is the background to the Internalisation?	<p>GCL RE announced on 20 September 2019 that it and GHL entered into the Implementation Deed with GCL (in its own right) and GCT in respect of the Internalisation.</p>	Sections 2.1 and 3

Topic	Summary	More information
	The Implementation Deed follows ongoing consideration by the Independent Directors of GDF's future strategy and the advantages an internalisation may bring for GDF Securityholders.	
What will GDF Securityholders receive if the Internalisation is approved and implemented?	<p>If the Internalisation is approved and implemented, GDF Securityholders will receive one GHL Share for each Existing Unit they hold and each GHL Share and GDF Unit will be stapled to form GDF Stapled Securities.</p> <p>GDF Securityholders are not required to pay any money for the GHL Shares or complete any application forms, as the Stapling will be by way of in specie distribution and is already contemplated under the Fund's constitution.</p> <p>The GHL Shares will only be distributed:</p> <ul style="list-style-type: none"> to those GDF Securityholders on the register at the Stapling Record Date who are not GDF Foreign Securityholders; if the Resolutions relating to the Internalisation are approved by a simple majority of GDF Securityholders present and entitled to vote at the Meeting (in person or by proxy); and if the Conditions are all met by the Stapling Record Date. <p>Following implementation of the Schemes, GDF Securityholders will have an interest in the newly acquired GARDA Capital Group through ownership of GDF Stapled Securities.</p> <p>The Conditions are set out in full in Section 11.2.</p>	Sections 2.2, 2.3, 6 and 11.2
How is GDF funding the Internalisation Consideration	On implementation of the Internalisation, each GCM Security will be exchanged for 1.6 New GDF Stapled Securities.	Section 2.3
How much is GDF paying for the GCM Management Platform?	Based on the distribution adjusted closing price of GDF units as at 19 September 2019, GDF will acquire a 100% interest in GCM for \$61.6 million. Adjusting for GCM's net tangible assets of \$29.3 million ⁶ as at 30 June 2019, this implies a value for the GCM Management Platform of \$32.4 million or 7.7 times FY20 earnings before interest and tax.	Section 2.3
Who will own GARDA Property Group?	On implementation of the Internalisation, the exchange ratio will result in existing GCM Securityholders owning approximately 21% of GARDA Property Group and existing GDF Securityholders owning approximately 79%. ⁷	Sections 2.3 and 6
Who will manage GARDA Property Group?	<p>No changes to the Boards, or the boards of GARDA Capital Group, are proposed or contemplated in connection with the Internalisation.</p> <p>GDF's current management is employed or contracted through GARDA Capital Group. The Internalisation will result in these persons being engaged directly by GARDA Property Group.</p> <p>The Directors and key management are:</p> <ul style="list-style-type: none"> Matthew Madsen – Executive Chairman and Managing Director; Morgan Parker – Independent Director; 	Sections 6

⁶ Including \$3.75 million of loans attaching to 2.4 million employee security plan securities.

⁷ The 21.9 million GDF Units currently held by GCT will convert to securities in GARDA Property Group and be designated as Treasury Stock upon implementation of the Internalisation. Accordingly, they have been excluded from GARDA Property Group's total issued capital in calculating the ownership interest of GCM Securityholders. It is intended that the Treasury Stock will be sold in the medium term following the Internalisation.

Topic	Summary	More information
	<ul style="list-style-type: none"> • Mark Hallett – Non-Executive Director; • Philip Lee – Non-Executive Director; • David Addis – Chief Operating Officer; • Ikram Patel – Financial Controller; • Lachlan Davidson – General Counsel and Company Secretary; • Mark Scammells – Director, Projects and Acquisitions; • Paul Brown – Manager, Investor Relations; and • Paul Lohr – Asset Manager. <p>The Directors and key management (above) have indicated that they intend to remain with GARDA Property Group following implementation of the Internalisation.</p>	
What is the financial impact if the Internalisation is approved?	<p>From a financial perspective, if the Internalisation is approved and implemented:</p> <ul style="list-style-type: none"> • funds management, asset management, leasing and capital expenditure fees will no longer be paid to an external party, GCM. In FY19 GDF paid \$6.3 million in fees to GCM; • there will be an estimated 12.6% increase in FY20 'Value' per security;⁸ • approximately \$34.1 million in goodwill attributable to the acquisition of GCM will be recorded on the pro forma balance sheet for GARDA Property Group as at 30 June 2019. The exact amount of goodwill recorded will depend on the trading price of GDF Units in the period prior to implementation of the Internalisation; and • GDF's pro forma NTA as at 30 June 2019 will reduce to \$1.18 per security. <p>See Section 7 for further detail about the financial impact of the Internalisation.</p>	Section 7
How is GCL RE dealing with conflicts and related party issues?	<p>A committee comprising Morgan Parker and Philip Lee, the Independent Directors,⁹ has been established for corporate governance purposes to address potential conflicts of interest of directors in connection with the Internalisation.</p> <p>Matthew Madsen and Mark Hallett separately formed the GCM Board Committee to represent GCM. At the date of this Booklet, Matthew Madsen has a Relevant Interest in approximately 21% of the GCM Securities, while Mark Hallett has a Relevant Interest in approximately 35% of the GCM Securities.</p> <p>The Board, and the boards of GCL (in its own right) and GFML, adopted a formal protocol to ensure separation of representation of GCM and GDF for the Internalisation.</p>	Section 11.7 and 11.8

⁸ 'Value' is the term used to describe GARDA Property Group's FFO after adjusting for capital expenditure fees, leasing fees and other payments capitalised by GDF but recognised as revenue by GCM. This GCM revenue is eliminated in the forecast consolidated income statement for GARDA Property Group but without a corresponding offset for the amounts capitalised by GDF, resulting in a net negative impact on FFO. Accordingly, to recognise the value associated with GDF's capitalised expenditure, the capitalised expenditure has been added back to FFO to arrive at 'Value'. The relevant amount of capitalised GDF expenditure in FY20 is approximately \$2.78 million.

⁹ Morgan Parker is an independent non-executive Director who was appointed on 13 December 2018. Philip Lee has been a non-executive Director since 21 May 2015. Mr Lee has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Mr Lee remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Mr Lee from bringing an independent judgement to bear on issues relating to the Internalisation.

Topic	Summary	More information
	<p>In addition:</p> <ul style="list-style-type: none"> the Independent Directors have engaged independent legal, financial, accounting and tax advisers to advise on the Internalisation; as required by the Listing Rules, the Internalisation is subject to approval by a resolution of GDF Securityholders other than Excluded Securityholders; and an independent expert's report has been prepared by the Independent Expert to opine on the fairness and reasonableness of the Internalisation. <p>The Independent Directors believe these measures significantly address and mitigate any impact of the potential conflicts and related party issues associated with the Internalisation.</p>	
What are the implications if the Internalisation is not approved?	<p>If the Resolutions are not approved or any other Condition is not satisfied or waived:</p> <ul style="list-style-type: none"> GCL will remain the responsible entity of GDF; the Existing Units will continue to trade on ASX; the Fund will continue to pay funds management, asset management, leasing and capital expenditure fees to GCM; and the Fund is expected to have incurred approximately \$0.9 million in transaction costs (including legal, accounting and independent expert costs) in relation to the Internalisation,¹⁰ which will be incurred regardless of whether the Internalisation is approved and implemented. \$0.7 million of these costs were incurred in FY19 with the balance in FY20. 	Section 2.4
Why should you vote in favour of the Internalisation	<p>Key features and advantages of the Internalisation include:</p> <ul style="list-style-type: none"> Value accretive – the Internalisation is expected to be 12.6% 'Value' accretive¹¹ for GDF Securityholders; No impact on FY20 distributions – GARDA Property Group reaffirms GDF's distribution guidance of 9.0 cents per GDF Stapled Security for FY20; Aligned interests and corporate governance benefits – following the Internalisation, management will be engaged and incentivised directly by GARDA Property Group and the Boards will be directly accountable to all GDF Stapled Security holders; Management stability and alignment – senior management of GCM have indicated that they will remain with GARDA Property Group following the Internalisation. The Managing Director, other Directors and certain key management will acquire Relevant Interests in New GDF Stapled Securities as part of the Internalisation, which is expected to further increase alignment; Enhanced growth opportunities – the Fund will benefit from operating leverage, meaning new acquisitions should not require a 	Section 3

¹⁰ Excludes success fee payable to the Responsible Entity's financial adviser.

¹¹ 'Value' is the term used to describe GARDA Property Group's FFO after adjusting for capital expenditure fees, leasing fees and other payments capitalised by GDF but recognised as revenue by GCM. This GCM revenue is eliminated in the forecast consolidated income statement for GARDA Property Group but without a corresponding offset for the amounts capitalised by GDF, resulting in a net negative impact on FFO. Accordingly, to recognise the value associated with GDF's capitalised expenditure, the capitalised expenditure has been added back to FFO to arrive at 'Value'. The relevant amount of capitalised GDF expenditure in FY20 is approximately \$2.78 million.

Topic	Summary	More information
	<p>step increase in internal management costs, which may result in a stronger competitive position when bidding for assets; and</p> <ul style="list-style-type: none"> • Increased investor participation – the Internalisation provides GARDA Property Group with additional scale, and the potential for increased market liquidity and investor reach. Further, it aligns the business model to a more common structure of large Australian REITs which may assist to attract and retain a broader investor base. <p>More detail on the advantages of the Internalisation is in Section 3.</p>	
Why might you vote against the Internalisation?	<p>GDF Securityholders may decide to vote against the Resolutions for reasons including:</p> <ul style="list-style-type: none"> • Disagree with Independent Directors' recommendation or conclusion of the Independent Expert - GDF Securityholders may disagree with the Independent Directors' recommendation or the conclusion of the Independent Expert; • Reduction in net tangible assets – the implementation of the Internalisation is expected to reduce GDF's pro forma net tangible assets per security as at 30 June 2019 from \$1.34 to \$1.18. However, pro forma net asset value per security is expected to marginally increase from \$1.34 to \$1.35; • Operating expenses - while the Internalisation will save payment of external management fees, it will mean that GDF Securityholders are directly exposed to the ongoing operating costs of management; • Prefer to remain an externally managed trust – GDF Securityholders may prefer to retain the existing external management structure. However, this will result in GDF Securityholders continuing to pay funds management, asset management, leasing and capital expenditure fees to a third party, GCM. In FY19 GDF paid \$6.3 million in fees to GCM; • Dilution of existing GDF Securityholders - existing GDF Securityholders will be diluted to some extent by the issuance of securities to GCM Securityholders. However, post Internalisation GDF Securityholders will continue to hold approximately 79% of GARDA Property Group;¹² and • Change in risk profile – GARDA Property Group will have exposure to property investment, and also to the funds management, property management and real estate finance activities of GCM. <p>More detail on the disadvantages and risks of the Internalisation are set out below, and in Sections 4 and 8.</p>	Sections 4 and 8
What Resolutions are sought for GDF Securityholder approval?	<p>The Internalisation is subject to approval of each of the following Resolutions:</p> <ul style="list-style-type: none"> • Resolution 1 is an ordinary resolution generally approving the Internalisation and authorising GCL RE to do all things it considers necessary, desirable or reasonably incidental to give effect to the Internalisation; and 	Sections 2.5 and 11.7

¹² The 21.9 million GDF Units currently held by GCT will convert to securities in GARDA Property Group and be designated as Treasury Stock upon implementation of the Internalisation. Accordingly, they have been excluded from GARDA Property Group's total issued capital in calculating the ownership interest of GCM Securityholders. It is intended that the Treasury Stock will be sold in the medium term following the Internalisation.

Topic	Summary	More information
	<ul style="list-style-type: none"> Resolution 2 is an ordinary resolution approving the acquisition by GARDA Property Group of GARDA Capital Group in accordance with the Schemes for the purposes of Listing Rule 10.1 (relating to the acquisition by GARDA Property Group of a substantial asset from GCM Securityholders who are related parties or substantial holders of GDF) and all other purposes. 	
What do the Independent Directors recommend?	<p>For the reasons set out in this Booklet, the Independent Directors recommend that GDF Securityholders vote in favour of each Resolution in the absence of a Superior Proposal.</p> <p>The Independent Directors encourage you to read this Booklet and the Prospectus in full, and consult your financial, investment, taxation or other professional adviser before voting on the Resolutions.</p>	Section 2.6
Are there any key conditions precedent?	<p>The Internalisation involves the establishment of GARDA Property Group as a stapled entity, and the acquisition of GARDA Capital Group under the Schemes.</p> <p>The Internalisation will not proceed unless the Conditions, as set out in the Implementation Deed, are all satisfied or waived. The Conditions include:</p> <ul style="list-style-type: none"> all regulatory approvals are received and not withdrawn, including all ASIC and ASX approvals; GDF Securityholders approve the Resolutions; GCM Securityholders approve the resolutions put forward at the GCM Securityholder Meetings, and the Court provides approval to implement the Schemes; the Stapling occurs before implementation of the Schemes; no other orders or restraints being issued by regulatory authorities or the Court; no regulated event or material adverse change occurs in respect of GARDA Property Group or GARDA Capital Group under the Implementation Deed; and the warranties given by GARDA Property Group and GARDA Capital Group under the Implementation Deed remain true and correct. <p>The above listing is a summary only.</p> <p>See Section 11.2 for the full list and terms of the Conditions.</p>	Section 11.2
What are the risks of the Internalisation?	<p>The Independent Directors consider the key risks of the Internalisation are:</p> <ul style="list-style-type: none"> Completion not occurring - completion of the Internalisation is subject to a number of Conditions as set out in Section 11.2 of this Booklet. It is possible that these Conditions may not all be satisfied or waived in which case the Internalisation would not proceed. Risks associated with GARDA Capital Group – <ul style="list-style-type: none"> Licences - Both GCL and certain Subsidiaries require an AFSL to conduct their respective funds management businesses. Similarly, other Subsidiaries of GCL hold and rely on an Australian credit licence and a real estate licence. If any of the statutory licences are adversely amended, or 	Section 8

Topic	Summary	More information
	<p>revoked, it may not be possible for that entity, or GARDA Property Group, to conduct the relevant licensed business.</p> <ul style="list-style-type: none"> – Historic liabilities – GARDA Property Group will be exposed to any historic liabilities of GCL and GFML as responsible entity of GCT. – Debt positions - GCL invests in real estate debt positions, which may include making loans to property developers. A default by a borrower in circumstances where the security held by GCL is insufficient to cover the amount lent could impact the recoverability of the amount invested. This risk may be increased where the security held by GCL is subordinated to that of a senior lender. <ul style="list-style-type: none"> • Direct exposure to operating costs – following implementation of the Internalisation, the Fund will no longer pay management and other fees to an external related party. This means that GARDA Property Group will be directly exposed to changes in management and operating cost structures. • Management - GHL (and its Subsidiaries) will be reliant on retaining and attracting quality senior management and staff to operate the Fund. While this risk exists today, following implementation of the Internalisation, responsibility for managing this risk will be internalised rather than a third party's responsibility. • Financial information – there is a risk that the assumptions in the financial information in Section 7 may not be achieved, and the financial benefits targeted to arise from the Internalisation may not be achieved to the extent anticipated, or at all. • Change of group structure and regulation – the existence of a company in the new stapled structure gives rise to additional associated regulatory, tax, statutory and legal requirements which may change over time and have implications for GDF Securityholders. However, this risk might be considered a usual part of doing business. • Trading price – there is no certainty that internalisation of management will maintain or improve the security price of GDF Stapled Securities and there may be downward pressure on the price of GDF Units or GDF Stapled Securities if a significant number of GDF Securityholders wish to sell either before or after the Internalisation; and • General risks – general risks may relate to potential changes in economic conditions, licencing requirements, regulation, disputes and litigation and ASX listing requirements. <p>These and other risks relating to the Internalisation are assessed in more detail in Section 8.</p> <p>GDF Securityholders are already subject to a number of risks from their investment in the Fund.</p>	
What transaction costs are being incurred in connection with the Internalisation?	The Fund is expected to incur transaction costs of approximately \$1.4 million in connection with the Internalisation, the majority of which will be incurred even if the Internalisation is not approved and implemented.	Section 7.5.1
What happens for GDF Foreign Securityholders?	GDF Securityholders with a registered address for GDF outside of Australia or New Zealand (GDF Foreign Securityholders) will not be eligible to receive GHL Shares under the Internalisation due to regulatory restrictions. Therefore, GDF Foreign Securityholders will	Section 11.4

Topic	Summary	More information
	<p>have their GDF Units transferred to a sale nominee and the GDF Stapled Securities to which they would otherwise be entitled (including the GDF Units) sold through the Sale Facility, with proceeds to be remitted to the relevant GDF Foreign Securityholders.</p> <p>GDF Foreign Securityholders who do not wish to participate in the Sale Facility can sell their GDF Units until the last day of ASX trading in Existing Units, expected to be on or around 19 November 2019.</p>	
<p>What are the tax implications for GDF Securityholders of the Internalisation?</p>	<p>The taxation implications of the Internalisation for GDF Securityholders are addressed in Section 10.</p>	<p>Section 10</p>



GARDA

02

DETAILS OF THE INTERNALISATION

2. Details of the Internalisation

2.1. Background

GARDA Property Group

GDF is currently an externally managed Australian REIT that invests in commercial offices and industrial facilities along the eastern seaboard of Australia. GDF currently holds 17 properties (5 commercial, 10 industrial and 2 industrial development sites), with an aggregate value of approximately \$404 million.¹³ GARDA Capital Limited (**GCL RE**) is the responsible entity of GDF.

GDF is currently the sole owner of a recently incorporated public company named GARDA Holdings Limited (**GHL**). GHL has been incorporated solely for the purpose of the internalisation transaction contemplated by the Booklet. The number of GHL Shares on issue is equal to the number of GDF Units.

At the date of this Booklet, GDF Securityholders hold GDF Units, and GDF and GHL are not stapled. If the Internalisation is effected, each GDF Unit will be stapled to one GHL Share to form **GDF Stapled Securities**, which will continue trading under the ASX code 'GDF'.

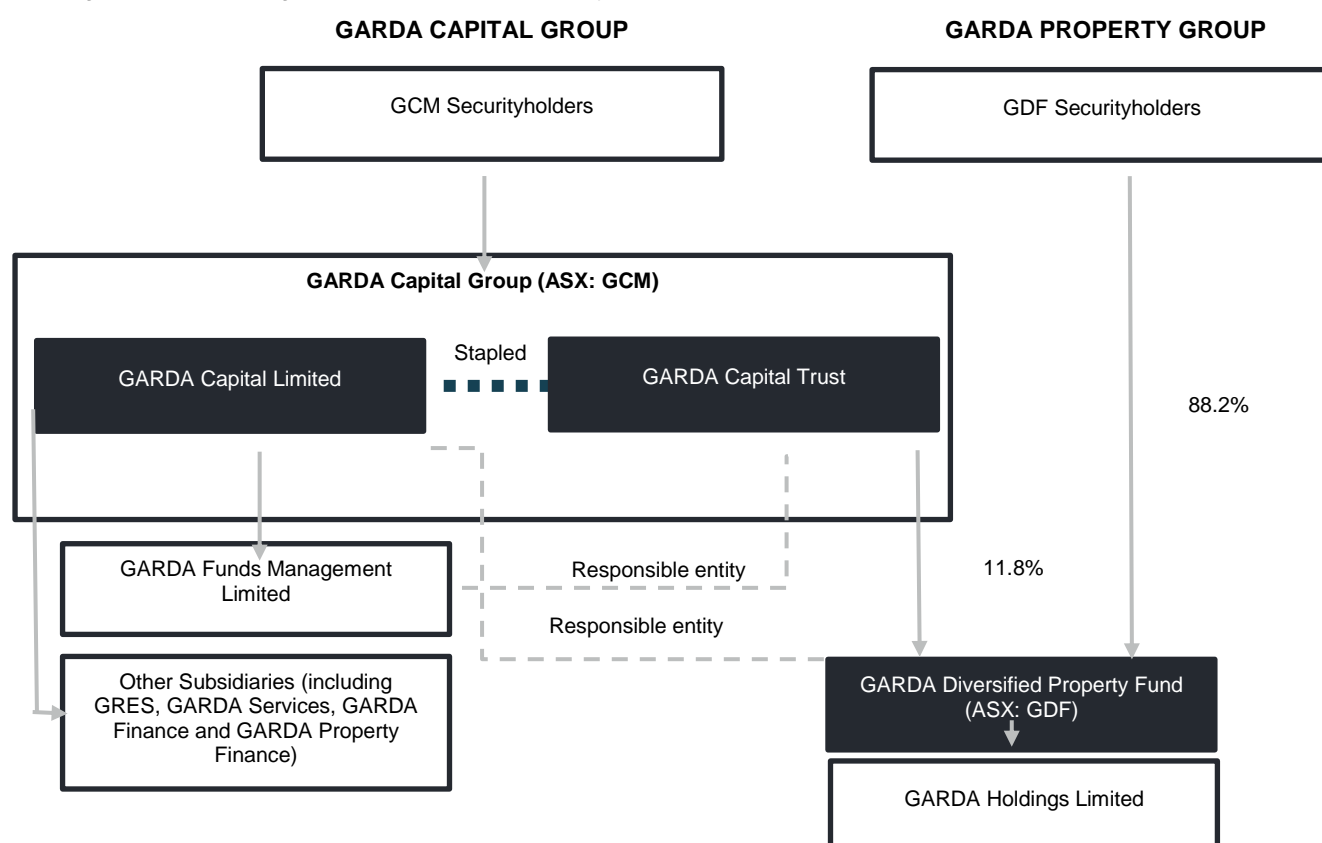
GDF (including GCL RE or the Custodian, as context requires) and GHL are collectively referred to in this Booklet as the **GARDA Property Group**, both before and after the proposed stapling and internalisation.

GARDA Capital Group

GCL is part of a listed real estate investment and funds management group, "GARDA Capital Group" (ASX: GCM), comprising GCL and GARDA Capital Trust (**GCT**) (together the **GARDA Capital Group** or **GCM**).

GCT (through its Custodian) is the second largest unitholder in GDF with a holding of 11.8% at the date of this Booklet, however it will be excluded from voting on the Resolutions.

A diagram of the existing structure of GARDA Property Group and GARDA Capital Group is below.



The operations of GCM are described further in Section 5.

The Internalisation

On 20 September 2019 GCL RE announced that it and GHL entered into the Implementation Deed with GCL (in its

¹³ Based on current external valuations reflected in GDF's pro forma balance sheet as at 30 June 2019.

own right) and GCT in respect of the Internalisation. This will effectively internalise GDF's management function. The Internalisation is subject to a number of Conditions, including GDF Securityholder approval.

2.2. Description of Internalisation

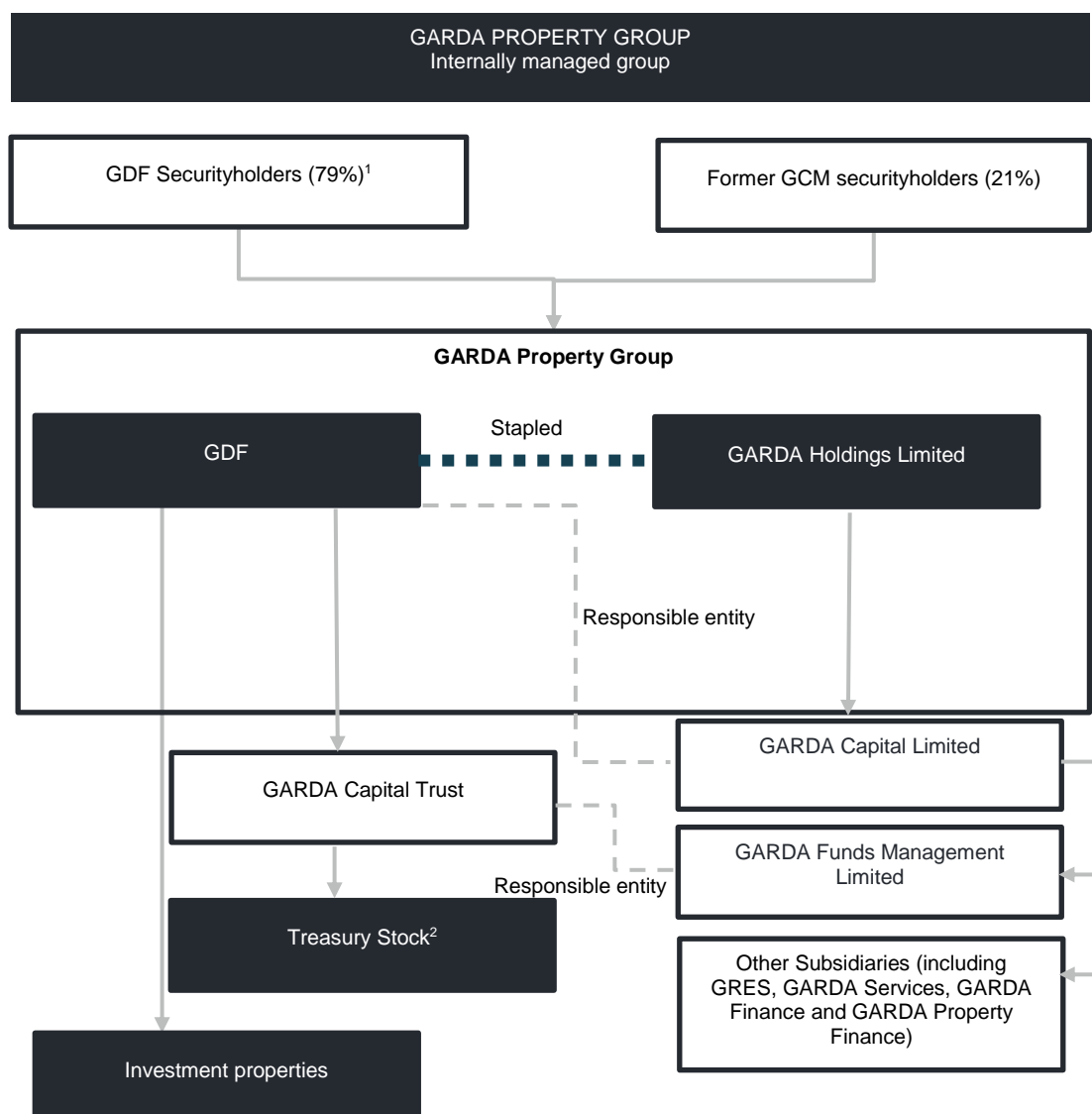
Subject to GDF Securityholders' approval and the satisfaction or waiver (if applicable) of all other Conditions, the Internalisation will result in GARDA Property Group becoming a stapled entity and acquiring all the securities in GCM.

The Internalisation (if approved and implemented) will involve the following steps:

- incorporation of GHL with all shares held by the Fund (which has already occurred);
- the Fund distributing all of the GHL Shares to GDF Securityholders so that all GDF Securityholders will hold one GHL Share for each Existing Unit held. This is authorised by the Fund's constitution. The receipt of new GHL Shares by GDF Securityholders will be by way of in specie distribution and will not require GDF Securityholders to contribute any additional money, nor lodge an application form;
- each GHL Share being stapled to one Existing Unit in the Fund to form a GDF Stapled Security. GDF Stapled Securities will trade on ASX under the code 'GDF' following the last date of trading of Existing Units, initially on a deferred settlement basis, with normal trading expected to commence on or about 2 December 2019; and
- GARDA Property Group will acquire 100% of the GCM Securities, by way of scheme of arrangement and trust scheme (the **Schemes**). GDF Stapled Securities issued by GARDA Property Group under the Schemes will rank equally with all existing GDF Stapled Securities.

Details of the GHL Shares are set out in section 3 of the Prospectus. In particular, you should pay careful consideration to the risk factors and the tax implications outlined in Sections 8 and 10 of this Booklet, and section 5 of the Prospectus, as they relate to your personal investment objectives, financial circumstances and needs.

If the Internalisation is implemented, the structure of stapled GARDA Property Group will be as follows:



Notes:

1. Excluding GARDA Property Group.
2. Following implementation of the Internalisation, GARDA Property Group will hold approximately 21.9 million GDF Stapled Securities, or Treasury Stock. It is intended that the Treasury Stock will be sold in the medium term following the Internalisation.

2.3. Funding the internalisation

The consideration for each Scheme Security transferred to GARDA Property Group under the Schemes will comprise:

- 1.6 GDF Units for each GCT Unit; and
- 1.6 GHL Shares for each GCL Share.

Each new GHL Share and new GDF Unit issued under the Schemes will be stapled together and trade on the ASX as a single stapled security (referred to as **New GDF Stapled Securities** in this Booklet).

This exchange ratio will result in existing GCM Securityholders owning approximately 21% of GARDA Property Group following implementation of the Internalisation, and existing GDF Securityholders owning the remaining 79%.¹⁴

Based on the distribution adjusted closing price of GDF units as at 19 September 2019, GDF will acquire a 100% interest in GCM for \$61.6 million. Adjusting for GCM's net tangible assets of \$29.3 million¹⁵ as at 30 June 2019, this implies a value for the GCM Management Platform of \$32.4 million or 7.7 times FY20 earnings before interest and tax.

2.4. What happens if the Internalisation does not proceed?

In the course of proposing and recommending the Internalisation, the Independent Directors considered the potential implications for GDF Securityholders as against the status quo and other alternatives. If GCM was retained as an external manager, the benefits of the Internalisation set out in this Booklet (and particularly in Section 3) will not be realised. However, this remains a viable path forward.

If the Internalisation does not proceed for any reason:

- GCL will remain the responsible entity of GDF;
- the Existing Units will continue to trade on ASX;
- the Fund will continue to be operated in accordance with its current strategy;
- the Fund will continue to pay funds management, asset management, leasing and capital expenditure fees to GCM;
- GCL RE will consider the appropriate course in respect of GHL and may take steps to deregister it; and
- the Fund is expected to have incurred approximately \$0.9 million in transaction costs (including legal, accounting and independent expert costs) in relation to the Internalisation,¹⁶ which will be incurred regardless of whether the Internalisation is approved and implemented. \$0.7 million of these costs were incurred in FY19 with the balance in FY20.

2.5. Resolutions

The Internalisation is subject to approval of Resolutions 1 and 2, which are conditional upon each other (meaning that if either of Resolutions 1 or 2 is not passed then the Internalisation will not be approved).

Resolution 1 is an ordinary resolution generally approving the Internalisation and authorising GCL RE to do all things it considers necessary, desirable or reasonably incidental to give effect to the Internalisation.

Resolution 2 is an ordinary resolution approving the acquisition by GARDA Property Group of GCM in accordance with the Schemes for the purposes of Listing Rule 10.1.

Further detail information about the Resolutions is contained in Section 11.7.

¹⁴ The 21.9 million GDF Units currently held by GCT will convert to securities in GARDA Property Group and be designated as Treasury Stock upon implementation of the Internalisation. Accordingly, they have been excluded from GARDA Property Group's total issued capital in calculating the ownership interest of GCM Securityholders. It is intended that the Treasury Stock will be sold in the medium term following the Internalisation.

¹⁵ Including \$3.75 million of loans attaching to 2.4 million employee security plan securities.

¹⁶ Excludes success fee payable to the Responsible Entity's financial adviser.

2.6. Recommendation of Independent Directors

The Independent Directors recommend GDF Securityholders vote in favour of the Internalisation in the absence of a Superior Proposal.¹⁷ The Independent Directors make this recommendation after carefully considering the advantages and disadvantages of the Internalisation, assessing the risks associated with the Internalisation, and the alternatives to the Internalisation.

2.7. Conditions to the Internalisation

The Internalisation will not proceed unless the Conditions set out in the Implementation Deed are all satisfied or waived. The Conditions are set out in full in clause 3.1 of the Implementation Deed, a copy of which is attached to GDF's ASX announcement of 20 September 2019 (available at <https://www.gardacapital.com.au/>).

A summary of the Conditions is included in Section 11.2.

¹⁷ Morgan Parker is an independent non-executive Director who was appointed on 13 December 2018. Philip Lee has been a non-executive Director since 21 May 2015. Mr Lee has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Mr Lee remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Mr Lee from bringing an independent judgement to bear on issues relating to the Internalisation.



GARDA

03

REASONS TO VOTE FOR THE
INTERNALISATION

3. Reasons to vote for the Internalisation

3.1. The Independent Directors¹⁸ unanimously recommend to vote in favour of the Internalisation in the absence of a Superior Proposal

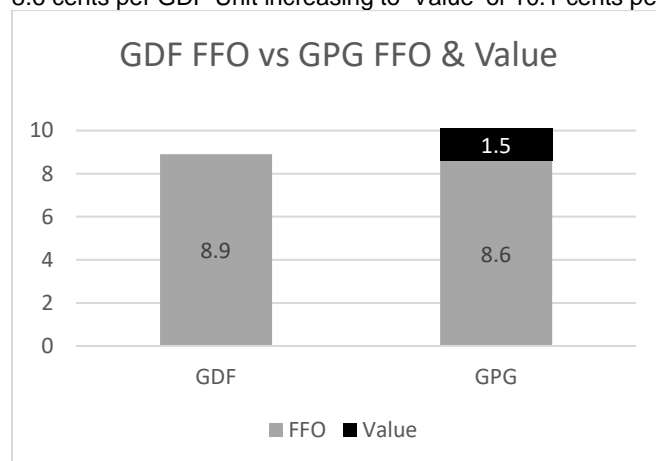
In assessing the Internalisation, the Independent Directors have considered the strategic benefits and potential disadvantages of the Internalisation for GDF Securityholders. They believe that the benefits of the Internalisation outweigh the potential disadvantages. For this reason, the Independent Directors support the Internalisation and unanimously recommend that GDF Securityholders vote in favour of the Resolutions in the absence of a Superior Proposal.

3.2. Favourable Independent Expert's conclusion

The Independent Expert has concluded that the Internalisation is fair and reasonable to GDF Securityholders other than Excluded Securityholders, in the absence of a superior proposal. GDF Securityholders should carefully review the Independent Expert's Report in Section 9 in its entirety.

3.3. Value accretive transaction

The Internalisation is expected to be 12.6% 'Value' accretive¹⁹ to GDF Securityholders in FY20 with forecast FFO of 8.6 cents per GDF Unit increasing to 'Value' of 10.1 cents per GDF Stapled Security.



3.4. No impact on FY20 distributions.

GARDA Property Group reaffirms GDF's distribution guidance of 9.0 cents per GDF Stapled Security for FY20, which may include distributions in respect of the period up to implementation of the Internalisation, as permitted under the Implementation Deed and described in Section 11.2.

3.5. Alignment and corporate governance benefits

The Internalisation means that the Boards will be directly accountable to GDF Securityholders and management will be engaged and incentivised directly by GARDA Property Group.

The Internalisation is also expected to enhance accountability, transparency and GDF Securityholder rights, with the ability for GDF Securityholders to vote on the appointment and re-election of directors, and to vote on the remuneration structure and pay outcomes annually.

¹⁸ Morgan Parker is an independent non-executive Director who was appointed on 13 December 2018. Philip Lee has been a non-executive Director since 21 May 2015. Mr Lee has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Mr Lee remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Mr Lee from bringing an independent judgement to bear on issues relating to the Internalisation.

¹⁹ 'Value' is the term used to describe GARDA Property Group's FFO after adjusting for capital expenditure fees, leasing fees and other payments capitalised by GDF but recognised as revenue by GCM. This GCM revenue is eliminated in the forecast consolidated income statement for GARDA Property Group but without a corresponding offset for the amounts capitalised by GDF, resulting in a net negative impact on FFO. Accordingly, to recognise the value associated with GDF's capitalised expenditure, the capitalised expenditure has been added back to FFO to arrive at 'Value'. The relevant amount of capitalised GDF expenditure in FY20 is approximately \$2.78 million.

3.6. Management stability

GCM's senior management team will become employees or contractors of GARDA Property Group on implementation of the Internalisation. The management team described in this Booklet have indicated that they will remain with GARDA Property Group following the Internalisation. Importantly, key members of this management team have presided over GDF's strong performance since listing.

As the Scheme Consideration will be paid in New GDF Stapled Securities, the GCM Securityholders (including entities controlled by the Managing Director) will be converting their ownership in GCM to ownership interests in GARDA Property Group. This is expected to further align their interest with the interests of other securityholders of GARDA Property Group.

Further details regarding the Relevant Interests of Directors in GCM Securities and GDF Units, and expected Relevant Interests in GDF Stapled Securities upon implementation of the Internalisation, are set out in Section 11.8.

3.7. Enhanced growth opportunities

The Internalisation aims for an improved outlook for Fund earnings growth per GDF Stapled Security through external management fees being extinguished. The Fund will benefit from operating leverage, meaning that new acquisitions should not require a step increase in internal management costs, which may result in a stronger competitive position when bidding for assets. New acquisitions currently result in increased management fees, which increase the cost of the acquisitions to the Fund.

3.8. Increased investor participation anticipated

The Internalisation provides GARDA Property Group with increased scale, and the potential for increased market liquidity and investor reach. Through the Internalisation, GDF's market capitalisation is expected to increase to approximately \$319 million²⁰ which brings GARDA Property Group close to potential ASX300 index inclusion.

The Internalisation follows a more common business model for large Australian REITs in terms of structure and management. Following a common practice may increase investor appetite for GARDA Property Group and attract and retain a broader investor base. This in turn may improve GARDA Property Group's ability to source equity and debt capital which will be required to underpin further growth.

²⁰ Market capitalisation calculated as approximately 227.6 million securities and a unit price of \$1.40 per security.



GARDA

04

REASONS TO VOTE AGAINST THE INTERNALISATION

4. Reasons to vote against the Internalisation

The Independent Directors have unanimously recommended that GDF Securityholders vote in favour of the Internalisation in the absence of a Superior Proposal.²¹ The Independent Expert has also concluded that the Internalisation is fair and reasonable to GDF Securityholders other than Excluded Securityholders, in the absence of a superior proposal. Nevertheless, there may be potential disadvantages associated with the Internalisation.

Some of the reasons why you may choose to vote against the Resolutions are outlined below.

4.1. You may disagree with the Independent Directors' recommendation or the conclusion of the Independent Expert

Notwithstanding the unanimous recommendation of the Independent Directors and the Independent Expert's opinion that the Internalisation is fair and reasonable to GDF Securityholders other than Excluded Securityholders, in the absence of a superior proposal, you may believe that the Internalisation is not in your best interests or that of other GDF Securityholders.

4.2. Reduction in GDF's pro forma net tangible assets per security

The implementation of the Internalisation is expected to result in GDF's pro forma net tangible asset value per security reducing from \$1.34 to \$1.18 as at 30 June 2019. However, pro forma net asset value per security is expected to marginally increase from \$1.34 to \$1.35.

The reduction in net tangible asset value per security is largely due to goodwill on acquisition of GARDA Capital Group of approximately \$34.1 million in the pro forma balance sheet of GARDA Property Group as at 30 June 2019. The exact amount of goodwill recorded will depend on the trading price of GDF Units in the period prior to implementation of the Internalisation.

Please see Section 7 of this Booklet for further information.

4.3. Operating expenses of the business

While the Internalisation will save payment of external management fees, it will mean that GDF Securityholders are directly exposed to the ongoing operating costs of management, including the costs of staff, office premises, registry services and custodian services. If future expenses materially exceed expectations this may offset some or all of the expected benefits of the Internalisation.

4.4. Dilution to existing GDF Securityholders

As part of the funding of the Internalisation, approximately 42.3 million New GDF Stapled Securities are to be issued to the Scheme Securityholders in total. As such, the holdings of existing GDF Securityholders will be diluted to some extent by the issuance of securities to GCM Securityholders. However, post transaction GDF Securityholders will continue to hold approximately 79% of GARDA Property Group.²²

4.5. Prefer to remain an externally managed trust

GDF Securityholders may prefer to retain the existing external management structure. However, this will result in GDF Securityholders continuing to pay funds management, asset management, leasing and capital expenditure fees to a third party. In FY19 GDF paid \$6.3 million in fees to GCM.

4.6. Change in the risk profile

If the Internalisation is implemented, GARDA Property Group will remain exposed to the real property investments of GDF, and gain exposure to the funds management, property management and real estate finance activities of GCM. You may not wish to have direct exposure to an integrated real estate investment and funds management business.

You may also be concerned by the potential risks of the Internalisation and GARDA Property Group, including but not limited to:

²¹ Morgan Parker is an independent non-executive Director who was appointed on 13 December 2018. Philip Lee has been a non-executive Director since 21 May 2015. Mr Lee has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Mr Lee remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Mr Lee from bringing an independent judgement to bear on issues relating to the Internalisation.

²² The 21.9 million GDF Units currently held by GCT will convert to securities in GARDA Property Group and be designated as Treasury Stock upon implementation of the Internalisation. Accordingly, they have been excluded from GARDA Property Group's total issued capital in calculating the ownership interest of GCM Securityholders. It is intended that the Treasury Stock will be sold in the medium term following the Internalisation.

- exposure to the operation of the management business (which may include operating cost structure changes), the real estate finance business and historical liabilities of GCM; and
- no certainty that internalisation of management will maintain or improve the security price of GDF Stapled Securities and there may be downward pressure on the price of GDF Units or GDF Stapled Securities if a significant number of GDF Securityholders wish to sell either before or after the Internalisation.

The risks associated with an investment in GARDA Property Group are described in more detail in Section 8.



GARDA

05

INFORMATION ABOUT GARDA
CAPITAL GROUP

5. Information about GARDA Capital Group

5.1. Overview

GCM is an ASX-listed real estate investment and funds management group that invests in Australian real estate through both equity and debt. GCM is a stapled structure comprising a company, GCL, and a registered managed investment scheme, GCT.

GCL is the parent entity of GCM and is also the responsible entity of GDF.

A GCL Subsidiary, GFML, is the responsible entity of GCT which is the primary investment vehicle for GCM. GCT currently holds an investment in GDF of approximately 21.9 million GDF Units (approximately 11.8% of the total GDF Units as at the date of this Booklet).

GCM generates revenues from capital deployed by GCT and from the corporate activities of GCL and its Subsidiaries.

The board and management of the GCM have extensive experience in real estate and funds management.

5.2. Strategic objective

GCM's objective is to create value and distributable investment returns from capital invested into real estate (equity and debt) and generate operational profits and associated corporate enterprise value from real estate funds management (equity and debt).

5.3. Business model and revenue streams

GCM seeks to generate revenue from operational activities and investment activities.

Operational activities

Funds management

GCL RE receives management fees from GDF of:

- 0.65% per annum of gross asset value (**GAV**) (while GDF has assets under \$750 million);
- the aggregate of 0.65% per annum of \$750 million and 0.60% per annum by which GAV exceeds \$750 million (when assets of GDF exceed \$750 million); and
- 5% of capital works undertaken by GDF in relation to GDF properties.

GCL RE also has a right of indemnification for all other costs and expenditure properly incurred in connection with its management and recovers all associated costs from GDF.

Real estate and property management services

A wholly owned subsidiary of GCL, GRES, is a licenced real estate agent in Queensland and provides property management services to GDF.

GRES is entitled to fees for the services it provides, including:

- a property management fee of 3% per annum of gross property income for tenants of the properties managed by it;
- a leasing fee for new tenants and renewals of leases by existing tenants, and market rent reviews; and
- sales fees for property divestments.

Details of the management agreement are included in Section 11.1.

Commercial real estate debt advisory business

A wholly owned subsidiary of GCL, GARDA Finance, arranges commercial real estate debt for a range of property investors and developers. GARDA Finance generates revenue through:

- structuring and arrangement fees, which are typically triggered upon settlement of loans;
- trailing commissions from certain lenders with whom GARDA Finance holds origination or brokerage agreements; and
- ongoing management fees, calculated by reference to the size of the facility from some clients providing similarly recurring revenue to trailing commission.

Investment activities

GCM obtains investment returns from capital deployed in:

- GDF (through GCT); and
- real estate debt positions.

Following implementation of the Internalisation, GARDA Property Group will hold approximately 21.9 million GDF Stapled Securities, or Treasury Stock. It is intended that the Treasury Stock will be sold in the medium term following the Internalisation.



GARDA

06

INFORMATION ABOUT GARDA
PROPERTY GROUP

6. Information about GARDA Property Group

6.1. Overview

Following implementation of the Internalisation, GARDA Property Group will own and manage an integrated platform comprising 17 industrial and commercial properties on the Australian east coast, valued at approximately \$404 million²³ and employ a team of professionals across real estate investment, asset management, development, leasing, finance and corporate services.

GARDA Property Group is expected to be quoted on ASX under the existing ticker code 'GDF'.

6.2. Strategy for GARDA Property Group

The Internalisation will result in the strategies, people, capital, assets, operations and intentions of GCM and GDF being brought together into a single ASX-listed, stapled entity, GARDA Property Group.

It is intended that GARDA Property Group will largely continue to execute the respective strategies of GDF and GCM.

The GARDA Property Group's primary focus will initially be the continued execution of the GDF strategy. No property sector or geographic diversification changes are contemplated and the target gearing ranges will be unchanged.

Since listing in of the Fund in 2015, GCM has executed a deliberate strategy to increase the resilience of GDF. This has focused on:

- increasing the scale of GDF so as to reduce reliance on individual tenant contributions demonstrated by the reduction in exposure to any one tenant or group of tenants as a percentage of GDF gross revenue;
- increasing the quality of the assets in the Fund broadly demonstrated by the tightening weighted average capitalisation rates since listing; and
- increasing the WALE of the GDF portfolio via continued lease renewal outcomes of existing assets from time to time and the acquisition of long WALE assets.

Further GDF has also implemented an asset creation or "build to hold" strategy. The Board considers this strategy delivers benefits to GDF including potential project profit being accretive to equity or NTA and potentially higher income "yield on cost" compared to "yield on acquisition cost" of acquiring existing assets.

This build to hold strategy will remain a primary focus of GARDA Property Group and is expected to result in a continued project pipeline for both new development opportunities and also refurbishment and repositioning of existing assets.

GARDA Property Group will also consider asset acquisitions where compelling.

GARDA Property Group will continue GCM's debt co-investment or debt funds management activity following implementation of the Internalisation. These operations would provide both operational and investment returns however will represent only a minor contribution to revenue at current scale.

Additionally, GARDA Property Group intends to seek ways to leverage its real estate platform competencies into new funds management initiatives into the future.

²³ Based on current external valuations reflected in the pro forma balance sheet of GARDA Property Group as at 30 June 2019.

6.3. Property portfolio

The properties owned by GDF at the date of this Booklet are set out in the following table. They will continue to be held by GDF whether or not the Internalisation occurs.

Classification	Property	NLA (m²)	Valuation (\$)	Cap Rate (%)	Occupancy (%)	WALE (yrs)
Established Assets	7-19 Lake Street, Cairns	14,683	55,000,000	8.25%	97%	3.6
	154 Varsity Parade, Varsity Lakes	3,994	12,750,000	8.25%	83%	2.6
	572-576 Swan Street, Richmond	6,587	53,000,000	5.75%	100%	4.4
	436 Elgar Road, Box Hill	5,729	31,500,000	6.25%	100%	3.4
	69-79 Diesel Drive, Mackay	13,843	30,000,000	7.50%	100%	9.5
	142-150 Benjamin Place, Lytton	5,677	9,500,000	7.00%	100%	1.9
	70-82 Main Beach Road, Pinkenba	40,490	20,000,000	7.00%	100%	14.1
	326 & 340 Thynne Road, Morningside	16,979	41,000,000	5.75%	100%	3.21
	41 Bivouac Place, Wacol	9,994	35,250,000	6.25%	100%	9.0
	38 Peterkin Street, Acacia Ridge	4,465	6,000,000	7.50%	100%	1.3
	56 Peterkin Street, Acacia Ridge	4,794	7,150,000	7.25%	na	2
	69 Peterkin Street, Acacia Ridge	7,412	11,900,000	7.25%	na	2
	839 Beaudesert Rd, Archerfield	4,524	5,950,000	8.00%	92%	1.9
	67 Noosa Street, Heathwood	6,022	10,500,000	7.25%	100%	8.8
Land / Development / In Project	588 Swan Street, Richmond	7,109	62,800,000	5.75%	N/A	N/A
	1-9 Huntress Street, Berrinba	N/A	3,000,000	N/A	N/A	N/A
	498 Progress Road, Wacol	N/A	6,500,000	N/A	N/A	N/A
	Grafton Street, Cairns (Land)	N/A	2,000,000	N/A	N/A	N/A
	Portfolio	152,302	403,800,000		84%	5.1

6.4. Board composition

At the date of this Booklet, the Boards, and the boards of each member of GARDA Capital Group, are identical. There are no proposed changes to the Boards and the boards of GARDA Capital Group in connection with the Internalisation.

The composition of the Boards is set out below.

Matthew Madsen – Executive Chairman and Managing Director

Matthew has more than 20 years' experience in the funds management industry, predominantly in director and management roles.

Matthew has been a member of the GCM boards since September 2011. Matthew is also Chair of the Advisory Board for residential land developer, Trask Development Corporation.

Matthew holds a Diploma in Financial Services and a Diploma in Financial Markets.

Morgan Parker – Independent Director

Morgan has over 25 years' experience as a real estate investor, developer and banker.

Morgan is currently a non-executive director of SunCentral Maroochydore Pty Ltd, the government-owned company responsible for development of Maroochydore City Centre on Queensland's Sunshine Coast, and Newcastle Airport. He has previously worked for Morgan Stanley, Lendlease and Macquarie Group, and his most recent executive role was as Chief Operating Officer at Dubai Holding.

Morgan was appointed to the board of GCL in December 2018. Morgan is an independent director.

Mark Hallett – non-executive Director

Mark has in excess of 30 years' industry and legal experience. A qualified solicitor, Mark has a range of diverse industry experiences across all aspects of corporate litigation, restructuring and commercial property.

Mark was legal practice director of Hallett Legal and is now a consultant at Macpherson Kelley.

Mark has managed successful property syndicates for business associates and continues to advise participants in the industry on property investment, legal and corporate restructuring.

Mark was appointed to the board of GCL in January 2011. He is not considered to be independent at this time.

Philip Lee – non-executive Director

Philip has over 32 years' experience in stockbroking, equities research and corporate finance. He joined Morgans in 1986 and has served as a Director of Morgans and Joint Head of Corporate Finance. Philip currently holds the position of Executive Director Corporate Advisory, primarily focussed on raising capital for growing companies.

Philip holds a Bachelor of Commerce from the University of Canterbury, is a Member of the Australian Institute of Company Directors and is a Senior Fellow of Finsia and is a Master Practitioner Member of the Stockbrokers and Financial Advisers Association.

Philip was appointed to the board of GCL in May 2015.

Philip has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Philip remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Philip from bringing an independent judgement to bear on issues relating to the Internalisation.

6.5. Management team

If the Internalisation is implemented, the senior management of GARDA Capital Group will be employed or contracted by GARDA Property Group. In addition to Matthew Madsen, Executive Chairman and Managing Director of GARDA Capital Group, senior executives of GARDA Capital Group include:

David Addis – Chief Operating Officer

As Chief Operating Officer of the GARDA Capital Group, David is a member of the senior leadership team responsible for setting and executing the GARDA Capital Group's strategy. In addition, he has responsibility for the various commercial operations supporting GCM's activities including risk, finance, governance and compliance, investor relations and marketing and communications.

David has approximately 30 years' experience in corporate finance, funds management and corporate strategy with investment banks, fund managers and professional services firms.

He holds degrees in Commerce and Law, is a Chartered Accountant and is a member of the Australian Institute of Company Directors.

Ikram Patel – Financial Controller

Ikram is responsible for the accounting, financial reporting and financial administration functions of the GARDA Capital Group. He has been employed with GCM since 2016 and played a key role in GCM's initial public offering and various capital raisings for GDF.

Ikram is a Chartered Accountant with more than 10 years' experience. He commenced his career with PricewaterhouseCoopers in Brisbane and London and, more recently, has been Financial Controller in ASX listed companies. Immediately prior to joining the GARDA Capital Group, Ikram was the Group Financial Controller for Seymour Whyte Limited, an ASX listed civil construction company.

Ikram holds a degree in Accounting and Economics and is a Member of the Institute of Chartered Accountants in Australia.

Lachlan Davidson – General Counsel and Company Secretary

Lachlan is responsible for the legal and compliance activities of the GARDA Capital Group, including risk and corporate governance monitoring.

Lachlan is a qualified lawyer with over 20 years' experience in corporate fundraising and managed investments. He has worked for international firms in London and was formerly General Counsel at Golding Contractors and an investment bank in the Middle East.

Lachlan joined GARDA Capital Group in January 2014, and assisted on GCM and GDF's initial public offers and subsequent capital raising activity.

Lachlan holds a Law degree, a Bachelor of Science in Genetics and Biochemistry, and a Master of Business Administration. He is a Justice of the Peace (Qualified), and a Graduate of the AICD Directors Course.

Mark Scammells – Director, Projects and Acquisitions

Mark recently joined GARDA Capital Group and is responsible for real estate acquisitions and developments. Previously he was Group Property Director with the King & Co Group.

Mark has 29 years of experience in the Brisbane industrial real estate market and has been responsible for the initiation, management and delivery of some of the largest industrial developments in South East Queensland, including Brisbane South Industrial Park, Proximity Industrial Estate, Southlink Estate and Metroplex Westgate.

Mark holds a Bachelor of Laws and is a Licensed Real Estate Agent (Principal).

Paul Brown – Manager, Investor Relations

Paul is a key member of the funds management team at the GARDA Capital Group. Paul is responsible for all marketing and communications with key stakeholders for the GARDA Capital Group and developing investor relations with both existing and new investors. Paul executes fund analysis and forecasting while providing research on structure and performance in the listed property trust sector.

Paul has previously worked with global organisations, Allianz and Vodafone.

Paul holds a Bachelor of Business (Finance and Funds Management) and has eight years' equities experience in research, analysis and modelling of resource equity transactions of a private fund.

Paul Lohr – Asset Manager

Paul is responsible for the property portfolio management activities of the GARDA Capital Group.

Paul has 20 years' experience in the property industry, predominantly in investment management and finance. Prior to joining GARDA in early 2016, he was the Head of Investment and Trading at Eris Property Group, a South African property development and services company.

Paul holds a Bachelor of Commerce (Accounting) from the University of Johannesburg.

6.6. Remuneration and interests

Refer to Section 11.8 for details of the remuneration and interests of, and the indemnity, access and insurance arrangements in place for Directors and officers and the remuneration of certain members of key management personnel.

6.7. Corporate Governance

The Boards recognise the role and importance of good corporate governance and are committed to promoting and fostering a strong governance culture, for the benefit of all stakeholders.

The Boards will be responsible for the overall corporate governance GARDA Property Group, including adopting appropriate policies and procedures.

The existing corporate governance policies of the Fund and the GARDA Capital Group are available at <https://www.gardacapital.com.au/who-we-are/corporate-governance/>.

As part of the Internalisation, the policies will be updated to apply to the GARDA Property Group. Further details of these policies are included in section 7.4 of the Prospectus.

6.8. Corporate and capital structure

A summary of the capital structure of the GARDA Property Group at the date of this Booklet, following Stapling and following implementation of the Internalisation, is set out in the following table:

	GDF Units	GHL Shares	GDF Stapled Securities
Current capital structure	185,356,359	185,356,359	
Following admission of GHL to the Official List and Stapling	185,356,359 (components of GDF Stapled Securities)	185,356,359 (components of GDF Stapled Securities)	185,356,359
Consideration issued to Scheme Securityholders	42,288,000	42,288,000	
GARDA Property Group following implementation²⁴	227,644,359 (components of GDF Stapled Securities)	227,644,359 (components of GDF Stapled Securities)	227,644,359

²⁴ Figure includes approximately 21.9 million GDF Stapled Securities which will be held by GARDA Property Group upon implementation of the Internalisation. It is intended that these GDF Stapled Securities, the Treasury Stock, will be sold in the medium term following the Internalisation. There may be minor variations in the number of GDF Stapled Securities on implementation based on rounding in the calculation of the New GDF Stapled Securities.



GARDA

07

FINANCIAL INFORMATION

7. Financial information

7.1. Introduction

The financial information contained in this Section comprises:

- GDF Standalone Financial Information;
- GCM Standalone Financial Information; and
- GARDA Property Group Consolidated Financial Information,

(together the **Financial Information**).

The Responsible Entity has provided, and is responsible for, the financial information in this Section concerning GHL and GDF, or upon which that information is based.

GARDA Capital Group has provided, and is responsible for, the financial information in this Section concerning GCL and GCT, or upon which that information is based.

All amounts disclosed in this Section are presented in Australian dollars and are rounded to the nearest \$m. Rounding may result in some discrepancies between the sum of components and the totals outlined within the tables and the percentage calculations.

Information in this Section should be read in conjunction with the risk factors outlined in Section 8 and the other information provided in this Booklet.

7.2. Basis of preparation

7.2.1. Overview

The financial information in this Booklet is intended to present GDF Securityholders with information to assist them in understanding the historical, pro forma and forecast financial position, financial performance and cashflows for GDF, GCM and (assuming implementation of the Internalisation) GARDA Property Group.

Historical financial information and forecast consolidated income statements for each of GDF and GCM have been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (AAS).

Pro forma historical balance sheet information for GARDA Property Group has been prepared in accordance with the recognition and measurement principles contained in AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they occurred as at 30 June 2019.

The forecast consolidated operating income statement for GARDA Property Group has been prepared in accordance with the recognition and measurement principles contained in AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect the impact of the Internalisation as at 1 December 2019.

Certain significant accounting policies relevant to the Financial Information are disclosed in Section 7.7. The Financial Information is presented in an abbreviated form and does not contain all of the presentation, disclosures, statements or comparative information as required by AAS applicable to annual general purpose financial reports prepared in accordance with the Corporations Act.

7.2.2. Historical financial information

The historical financial information for GDF has been derived from its financial statements for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 which were audited by BDO Audit Pty Ltd. BDO Audit Pty Ltd issued unmodified audit opinions on these financial statements.

The historical financial information for GCM has been derived from its financial statements for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 which were audited by BDO Audit Pty Ltd. BDO Audit Pty Ltd issued unmodified audit opinions on these financial statements.

7.2.3. Pro forma historical balance sheet information

The pro forma historical balance sheet information has been derived from the historical consolidated balance sheets of GDF and GCM as at 30 June 2019 and adjusted for the effects of pro forma adjustments described in Sections 7.3 and 7.4.

Due to its nature, the pro forma historical balance sheet information does not represent GARDA Property Group's actual or prospective financial position.

The pro forma historical balance sheet, as defined above, has been reviewed by Pitcher Partners, whose Independent Limited Assurance Report is provided as Annexure A to this Booklet. GDF Securityholders should note the scope and limitations of the Independent Limited Assurance Report.

7.2.4. Forecast financial information

The forecast financial information has been prepared based on an assessment of current economic and operating conditions and assumptions regarding future events and actions as set out in Section 7.6. The Independent Directors and the GCM Board Committee believe that the forecast financial information has been prepared with due care and attention and consider the assumptions to be reasonable at the time of preparing this Booklet.

GDF Securityholders should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the forecast financial information and that any deviation in assumptions on which the forecast financial information is based may have a material positive or negative effect on actual financial performance, cash flows and distributions. GDF Securityholders are advised to review the assumptions in conjunction with the risk factors outlined in Section 8 and the other information provided in this Booklet.

The forecast operating income statement for GCM for FY20 is comprised of the following:

- unaudited management accounts for the one month to 31 July 2019; and
- forecast financial information for the 11 months to 30 June 2020.

The forecast operating income statement for GDF for FY20 is comprised of the following:

- unaudited management accounts for the one month to 31 July 2019; and
- forecast financial information for the 11 months to 30 June 2020.

The forecast consolidated operating income statement for GARDA Property Group has been derived from the forecast consolidated income statements for GDF and GCM, after adjusting for the matters described below in Section 7.5.2.

Due to its nature, the forecast financial information does not represent GARDA Property Group's actual or prospective financial position or performance.

The forecast financial information has been reviewed by Pitcher Partners, whose Independent Limited Assurance Report is provided in Annexure A of this Booklet. GDF Securityholders should note the scope and limitations of the Independent Limited Assurance Report.

The forecast consolidated distribution statements for the year ending 30 June 2020 have been derived by adjusting GCM and GDF's forecast consolidated income statements post Internalisation as detailed in Section 7.5.2 for:

- GCM operating pre-internalisation trading from the period 1 July 2019 to 30 November 2019;
- eliminations on consolidation necessary to effect the Internalisation;
- elimination of taxation from GCM; and
- estimated synergies arising from the Internalisation.

Securityholders are advised to review the assumptions in conjunction with the risk factors outlined in Section 8 and the other information provided in this Booklet.

7.2.5. Treasury Stock

The Internalisation will result in GDF owning 100% of GCT which, in turn, will own 9.6% of the GDF Stapled Securities. Pursuant to AAS, this "Treasury Stock" must be deducted against equity. Further, distributions receivable by GCT from the Treasury Stock have also been eliminated from the income statement for GARDA Property Group.

It is the current intention of the Independent Directors and the GCM Board Committee that the Treasury Stock will be sold in the medium term following the Internalisation.

7.2.6. Non-IFRS Financial Measures

Certain financial measures included in this Booklet are not recognised under AAS. These measures are collectively referred to as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Booklet are discussed below.

GARDA Property Group's forecast consolidated distribution statements set out in Section 7.5.3 contain a non-IFRS financial measure, being FFO which has been determined in accordance with best practice guidelines published by the Property Council of Australia.

Although the Independent Directors and the GCM Board Committee believe this measure provides useful information about the financial performance of GDF, GCM and GARDA Property Group, it should be considered as a supplementary

measure of operating performance to that included in GDF's and GCM's forecast consolidated income statements and GARDA Property Group's forecast consolidated operating income statement that have been presented in Section 7.5.2 and not as a replacement for it. Because these non-IFRS financial measures are not based on AAS, and the way that GDF calculates these measures may differ from similarly titled measures by other companies, GDF Securityholders should not place undue reliance on them.

7.3. GDF Standalone Financial Information

7.3.1. GDF historical income statements

The table below outlines GDF's historical income statements for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019.

	FY17 \$m	FY18 \$m	FY19 \$m
Revenue	19.9	19.2	25.5
Property expenses	(5.2)	(4.9)	(5.9)
Trust level expenses	(1.8)	(2.1)	(3.2)
Interest expense	(2.5)	(1.6)	(2.9)
Operating profit (before fair value adjustments and one-off items)	10.4	10.6	13.5
Litigation proceeds	-	-	8.0
Litigation expenses	(0.2)	(0.6)	(0.7)
Non-operating interest income	0.1	0.1	0.1
Net gain/(loss) on financial instrument held at fair value through profit and	0.5	(0.2)	(2.0)
Fair value movement in investment properties	9.5	14.3	9.0
Net gain (loss) on sale of investment properties	(0.2)	-	1.6
Transaction costs	-	-	(0.7)
Statutory profit before tax	20.1	24.2	28.8

7.3.2. GDF forecast operating income statement

The table below outlines GDF's forecast operating income statement for the financial year ending 30 June 2020. The forecast operating income statement has been reviewed by Pitcher Partners, whose Independent Limited Assurance Report is provided in Annexure A of this Booklet. GDF Securityholders should note the scope and limitations the Independent Limited Assurance Report.

	2020F \$m
Revenue	29.1
Property expenses	(6.6)
Trust level expenses	(3.5)
Interest expense	(4.1)
Operating profit (before fair value adjustments and one-off items)	14.9

Notes

- Property acquisition costs were incurred on Acacia Ridge of \$2.2 million, and Morningside of \$2.5 million. These costs will be included within the calculation of the fair value of investment properties (no amounts for which are being forecast), and it is noted any fair value gains or losses of investment properties are not included within operating profit.
- Transaction costs in relation to the Internalisation (expected to be an additional \$0.7 million if the Internalisation is implemented) are forecast to be incurred by GDF, however these are not included within operating profit.

7.3.3. GDF historical statements of cash flows

The table below outlines GDF's historical statement of cash flows for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019.

	FY17 \$m	FY18 \$m	FY19 \$m
Cash flows from operating activities			
Rent and outgoings received (includes GST)	20.9	21.5	28.0
Litigation proceeds	-	-	8.0
Cash payments in the course of operations (includes GST)	(8.2)	(14.4)	(15.3)
Interest received	0.1	0.1	0.1
Finance costs	(2.4)	(1.3)	(4.1)
GST refund/(paid)	(0.8)	5.3	3.9
Net cash provided by operating activities	9.6	11.2	20.6
Cash flows from investing activities			
Payments for investment property improvements	(6.1)	(5.1)	(8.6)
Payments for leasing fees and lease incentives	(0.5)	(0.8)	(0.5)
Payments for acquisitions and capital expenditure on investment	(41.1)	(65.5)	(33.7)
Proceeds from the sale of investment properties	22.4	-	-
Deposit for investment properties for future construction	-	-	(1.9)
Payments for acquisition of investment properties	-	(10.5)	(10.3)
Proceeds on disposal of investment properties	-	-	16.4
Net cash used in investing activities	(25.3)	(81.9)	(38.6)
Cash flows from financing activities			
Proceeds of borrowings	39.0	71.1	57.6
Repayment of borrowings	(24.8)	(25.3)	(34.7)
Distribution paid	(9.6)	(10.8)	(13.4)
Payments for borrowing establishment costs	-	(0.3)	-
Capital raised	20.0	30.0	25.0
Equity transaction costs	(0.1)	(0.9)	(0.8)
Net cash provided by (used in) financing activities	24.5	63.8	33.7
Net increase / (decrease) in cash held	8.9	(6.9)	15.7
Cash at the beginning of the financial year	2.5	11.4	4.5
Cash at the end of the financial year	11.4	4.5	20.2

7.3.4. GDF pro forma historical balance sheet

The table below shows the audited GDF balance sheet as at 30 June 2019 and the pro forma balance sheet which has been adjusted in accordance with the notes to the table. The pro forma balance sheet has been reviewed by Pitcher Partners, whose Independent Limited Assurance Report is provided in Annexure A of this Booklet.

GDF	GDF	Pro forma	Pro forma
Statement of Financial Position	30 June	Adjustments	historical
	2019		
	\$m	\$m	\$m
ASSETS			
Current assets			
Cash and cash equivalents	20.2	(15.4) ¹	4.8
Trade and other receivables	1.4	-	1.4
Total current assets	21.6	(15.4)	6.2
Non-current assets			
Other assets	1.9	(1.9) ²	-
Investment properties	332.8	72.0 ³	404.8
Total non-current assets	334.7	70.1	404.8
Total assets	356.3	54.7	411.0
LIABILITIES			
Current liabilities			
Trade and other payables	4.2	-	4.2
Distribution/dividend payable	3.6	-	3.6
Borrowings	15.4	(15.4) ¹	-
Total current liabilities	23.2	(15.4)	7.8
Non-current liabilities			
Tenant security deposits	0.3	-	0.3
Borrowings	112.9	38.0 ⁴	150.9
Derivative financial instrument	2.8	-	2.8
Total non-current liabilities	116.0	38.0	154.1
Total liabilities	139.2	22.6	161.9
NET ASSETS	217.1	32.1	249.2

Notes:

1. Adjustment reflects repayment of debt by \$15.4 million primarily from the sale proceeds of the Murarrie property.
2. Reclassification of deposits on the Acacia Ridge properties to investment properties on settlement.
3. Acquisition of the Acacia Ridge properties for \$31.0 million and the Morningside property for \$41.0 million.
4. Borrowings reflect the debt funding component of acquisitions of the Acacia Ridge properties for \$31 million plus stamp duty and other transaction costs, and the Morningside property for \$41.0 million plus stamp duty and other transaction costs. It is noted \$6.0 million in units were issued to the vendor of Acacia Ridge, and \$31.5 million in capital (less transaction costs) in respect of the Morningside property acquisition.

7.4. GCM Standalone Financial Information

7.4.1. GCM historical income statements

The table below outlines GCM's historical income statements for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019.

	FY17	FY18	FY19
	\$m	\$m	\$m
Revenue	3.9	4.9	7.1
Other income	0.1	0.4	0.4
GDF distribution income	0.9	1.3	1.9
Fair value gains	1.0	0.6	4.9
Employee benefits expense	(1.5)	(1.5)	(2.1)
Professional costs	(0.9)	(1.0)	(1.0)
Interest expenses	(0.3)	(0.6)	(0.9)
Other expenses	(0.9)	(0.8)	(0.8)
Operating profit before tax	2.3	3.3	9.5
Impairment of intangible assets	(0.2)	-	-
Transaction costs	-	-	(0.2)
Profit before tax	2.1	3.3	9.3
Income tax	0.4	(0.5)	(0.9)
Profit after tax	2.5	2.8	8.4

7.4.2. GCM forecast operating income statement

The table below outlines GCM's forecast operating income statement for the financial year ending 30 June 2020. The forecast operating income statement has been reviewed by Pitcher Partners, whose Independent Limited Assurance Report is provided in Annexure A of this Booklet. GDF Securityholders should note the scope and limitations of the Independent Limited Assurance Report.

	2020F
	\$m
Revenue	8.2
Other income	0.4
GDF distribution income	2.0
Employee benefits expense	(2.3)
Professional costs	(0.8)
Interest expense	(0.9)
Other expenses	(1.1)
Operating profit before tax	5.5
Income tax	(1.2)
Operating profit after tax	4.3

Notes:

- GDF distribution income represents GCM's expected distribution based GDF's forecast operating profit. It is noted fair value gains on GCM's investment in GDF are not forecast.
- Transaction costs in relation to the Internalisation (expected to be an additional \$0.2 million) are forecast to be incurred by GCM, however these are not included within operating profit.

7.4.3. GCM historical statements of cash flows

The table below outlines GCM's historical statements of cash flows for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019.

	FY17 \$m	FY18 \$m	FY19 \$m
Cash flows from operating activities			
Receipts from customers	4.1	5.1	7.5
Cash payments in the course of operations	(3.4)	(3.5)	(4.5)
Interest received	0.1	0.1	0.1
Distributions received	0.9	1.1	1.8
Interest paid	(0.5)	(0.4)	(0.9)
Income tax paid	(0.3)	0.0	(0.1)
GST paid	(0.1)	(0.3)	(0.5)
Net cash provided by (used in) operating activities	0.8	2.1	3.4
Cash flows from investing activities			
Payments for property, plant and equipment	(0.1)	-	-
Wind up expenses paid	(0.1)	-	-
Payments for acquisition of financial assets	-	(10.0)	(4.0)
Repayment of loan receivable from external parties	2.0	1.9	0.8
Loan advances to external parties	(1.0)	(0.4)	(2.5)
Net cash provided by (used in) investing activities	0.8	(8.5)	(5.7)
Cash flows from financing activities			
Proceeds from secured syndicate borrowings	-	10.0	-
Repayment of securityholder loan (capitalised interest)	-	(0.1)	-
Repayment of unsecured loans	(0.5)	-	-
Repayment of securityholder loans	(2.4)	-	-
Proceeds from security issue	6.7	-	-
Payment of security issue costs	(0.4)	-	-
Dividend paid	-	-	(1.2)
Distributions paid	(0.7)	(0.9)	(1.1)
Net cash provided by (used in) financing activities	2.7	9.0	(2.3)
Net increase (decrease) in cash held	4.3	2.6	(4.6)
Cash at the beginning of the financial year	1.6	5.9	8.5
Cash at the end of the financial year	5.9	8.5	3.9

7.4.4. GCM pro forma historical balance sheet

The table below shows the audited GCM balance sheet as at 30 June 2019 and the pro forma balance sheet which has been adjusted in accordance with the notes to the table. The pro forma balance sheet has been reviewed by Pitcher Partners, whose Independent Limited Assurance Report is provided in Annexure A of this Booklet.

Statement of Financial	GCM 30 June 19 \$m	Pro forma Adjustments \$m	Pro forma Historical \$m
ASSETS			
Current assets			
Cash and cash equivalents	3.9		3.9
Trade and other receivables	3.7		3.7
Total current assets	7.6		7.6
Non-current assets			
Investment properties	1.3		1.3
Property, plant and equipment	0.1	0.2 ¹	0.3
Financial assets	30.7		30.7
Intangible assets	0.3		0.3
Total non-current assets	32.3	0.2	32.5
Total assets	39.9	0.2	40.1
LIABILITIES			
Current liabilities			
Trade and other payables	1.2		1.2
Borrowings	-	0.2 ¹	0.2
Current tax liability	0.9		0.9
Total current liabilities	2.1	0.2	2.3
Non-current liabilities			
Borrowings	12.0		12.0
Deferred tax liability	-		-
Total non-current liabilities	12.0		12.0
Total liabilities	14.1	0.2	14.3
NET ASSETS	25.8	-	25.8

Note:

1. Adjustment reflects adoption of AASB 16 Leases as at 1 July 2019 for right of use assets reflecting the unamortised portion of the useful life of building leases, and lease liabilities.

7.5. GARDA Property Group Consolidated Financial Information

7.5.1. GARDA Property Group pro forma consolidated balance sheet

The table below outlines GARDA Property Group's pro forma consolidated balance sheet as at 30 June 2019 as if the Internalisation was implemented as at 1 December 2019 and has been derived from:

- GDF's historical pro forma balance sheet as at 30 June 2019 as set out in Section 7.3.4;
- GCM's historical pro forma balance sheet as at 30 June 2019 as set out in Section 7.4.4; and
- the pro forma adjustments to effect the Internalisation.

The pro forma balance sheet is provided for illustrative purposes only and may not represent GARDA Property Group's actual or future financial position.

STAPLED GROUP	GDF pro forma historical 30 June 2019 \$m	GCM pro forma historical 30 June 2019 \$m	Pro forma adjustments \$m		GARDA Property Group 30 June 2019 \$m
Statement of financial position					
ASSETS					
Current assets					
Cash and cash equivalents	4.8	3.9	(0.9) ¹		7.8
Trade and other receivables	1.4	3.7	(1.4) ²		3.7
Total current assets	6.2	7.6	(2.3)		11.5
Non-current assets					
Investment properties	404.8 ⁶	1.3	-		406.1
Property, plant and equipment	-	0.3	-		0.3
Financial assets	-	30.7	(30.7) ³		-
Intangible assets	-	0.3	34.1 ⁴		34.4
Total non-current assets	404.8	32.5	3.4		440.8
Total assets	411.0	40.1	1.1		452.3
LIABILITIES					
Current liabilities					
Trade and other payables	4.2	1.2	(0.9) ²		4.5
Borrowings	-	0.2	-		0.2
Distribution/dividend payable	3.6	-	(0.5) ²		3.1
Current tax liability	-	0.9	-		0.9
Total current liabilities	7.8	2.3	(1.4)		8.7
Non-current liabilities					
Tenant security deposits	0.3	-	-		0.3
Borrowings	150.9	12.0	-		162.9
Derivative financial instrument	2.8	-	-		2.8
Total non-current liabilities	154.1	12.0	-		166.1
Total liabilities	161.9	14.3	(1.4)		174.8
NET ASSETS	249.2	25.8	2.5		277.5
Securities on issue (000's)	185,356				205,744
NTA per security	1.34				1.18
NAV per security	1.34				1.35
LVR	37.3%				37.3% ⁵
GEARING	36.7%				36.0% ⁷

Notes:

1. Estimated remaining transactions costs of \$0.9 million from the total estimated costs of \$1.8 million.
2. Elimination of distribution receivable on Treasury Stock of \$0.49 million and inter-entity elimination of debtors and creditors for \$0.43 million.
3. Elimination of Treasury Stock which has been marked to market as at 30 June 2019. It is expected that this stock will be sold in the medium term.
4. Goodwill on acquisition relating to the internalisation may change subject to GDF trading price at the implementation date and once the fair value of all assets and liabilities are determined at the implementation date.
5. LVR calculation excludes GCM investment property and GCM borrowings as the borrowings are not secured by the investment property.
6. A separate rental guarantee contract asset for Acacia Ridge properties for \$2.0m has not been recognised in the balance sheet. The rental guarantee contract is implicit in the investment property valuation of \$404.8 million.
7. Gearing is calculated as total borrowings divided by total assets.

7.5.2. GARDA Property Group forecast consolidated operating income statement

The table below outlines the GDF standalone forecast operating income statement and GARDA Property Group's consolidated forecast operating income statement for the financial year ending 30 June 2020, and is based on an expected Implementation Date of 1 December 2019.

The column entitled "GARDA Property Group" has been calculated as follows:

- forecast consolidated operating income statement for GDF for the financial year ending 30 June 2020 based on an assessment of current economic and operating conditions, assumptions regarding future events and actions and on a standalone basis (see column entitled 'GDF');
- forecast consolidated operating income statement for GCM for the period from 1 December 2019 to 30 June 2020 prepared on a standalone basis (see column entitled 'GCM'); and
- the transaction impact arising from the Internalisation and elimination adjustments with respect to the Internalisation (see column entitled 'Adjustments'). The aggregate of the forecast consolidated operating statement of comprehensive income for GCM and the Adjustments are presented in the column entitled 'Total transaction impact' to inform the reader of the total forecast impact of the Internalisation.

STAPLED GROUP	GDF Forecast	GCM Forecast Period 1			GARDA Property Group
Operating Income Statement	Year ending 30 June 2020 \$m	December to 30 June 2020 \$m	Pro forma Adjustments \$m	Total transaction impact \$m	FY20F \$m
	A	B	C	B+C=D	A+D=E
REVENUE					
Property income	29.1	-	-	-	29.1
Other revenue	-	6.2	(5.5) ^{1 2 3 4}	0.7	0.7
GDF distribution income	-	1.1	(1.1) ⁵	-	-
	29.1	7.3	(6.6)	0.7	29.8
EXPENSES					
Property expenses	(6.6)	-	0.9 ^{2 3}	0.9	(5.7)
Trust level expenses	(3.5)	-	1.7 ⁴	1.7	(1.8)
Other expenses	-	(2.5)	- ⁶	(2.5)	(2.5)
Interest expense	(4.1)	(0.6)	0.1	(0.5)	(4.6)
	(14.2)	(3.1)	2.7	(0.4)	(14.6)
OPERATING PROFIT BEFORE TAX	14.9	4.2	(3.9)	0.3	15.2
Income tax expense	-	(1.0)	1.0 ⁷	-	-
OPERATING PROFIT AFTER TAX	14.9	3.2	(2.9)	0.3	15.2

Notes:

1. Elimination of fund management fees and other revenue on consolidation.
2. Represents elimination of property management fees, facility management fees and recovery of expenses on consolidation.
3. Represents adjustment for capex fees, leasing fees and project management fees eliminated on consolidation.
4. Represents elimination of management fees on consolidation.
5. Represents elimination of distribution income on accounting for Treasury Stock.
6. Represents cost savings and synergies associated with the Internalisation, offset by the increase in share-base payments expense.
7. Represents elimination of income tax expense.

7.5.3. GARDA Property Group forecast consolidated forecast value¹ per security

STAPLED GROUP		GDF \$m	GCM \$m	Adjustment s \$m	Total transaction impact \$m	GARDA Property Group \$m
Adjustments for Funds for Operations						
	A	B	C	B+C=D	A+D=E	
OPERATING PROFIT AFTER TAX	14.9	3.2	(2.9)	0.3	15.2	
Cash flows from rental guarantees	1.6	-	-	-	1.6	
Non-cash expenses	-	-	0.2	0.2	0.2	
Incentives amortisation and rent-straight line	(0.5)	-	-	-	(0.5)	
FUNDS FROM OPERATIONS	16.0	3.2	(2.7)	0.5	16.5	
Expense savings capitalised into assets	-	-	2.8	2.8	2.8	
ADJUSTED FUNDS FROM OPERATIONS (VALUE¹)	16.0	3.2	0.1	3.3	19.3	
Number of units (000's)	179,637				191,479	²
FFO per security (cents)	8.9				8.6	
Value ¹ per security – Adjusted FFO (cents)					10.1	
Value accretion					12.6%	

Note

1. 'Value' is the term used to describe GARDA Property Group's FFO after adjusting for capital expenditure fees, lease and other payments capitalised by GDF but recognised as revenue by GCM. This GCM revenue is eliminated in the forecast consolidated income statement for GARDA Property Group but without a corresponding offset for the amounts capitalised by GDF, resulting in a net negative impact on FFO. Accordingly, to recognise the value associated with GDF's capitalised expenditure, the capitalised expenditure has been added back to FFO to arrive at 'Value'. The relevant amount of capitalised GDF expenditure in FY20 is approximately \$2.8 million.
2. Weighted number of securities on issue based on a notional Implementation Date of 1 December 2019, net of Treasury Stock eliminated on consolidation.

7.6. Assumptions underpinning forecasts

The key assumptions relating to the forecast financial information are set out below.

7.6.1. General assumptions

In preparing the forecast financial information for the financial year ending 30 June 2020, the following general assumptions have been adopted:

- no significant change in economic conditions (including industrial and commercial property markets and financial market stability);
- no significant change in the competitive operating environment;
- no unexpected changes to the statutory, legal or regulatory environment which would be detrimental to GDF or GCM in any of the jurisdictions in which they operate;
- no changes in current Australian tax legislation;
- no material changes in AAS and interpretations, other mandatory professional reporting requirements, or the Corporations Act that would have a material impact on the consolidated financial performance, cashflows, financial position, distributions, accounting policies, financial reporting or disclosures;
- key personnel, particularly the senior management team, are retained;
- no material litigation or contract disputes;
- no acquisitions or disposals of investment properties except for the acquisition of the Acacia Ridge and Morningside properties;

- no material change in capital expenditure requirements from those included in the forecast financial information caused by factors outside GDF's or GCM's control;
- no significant amendment to any material contracts relating to the business;
- no movement in fair value of derivatives;
- no movement in fair value of investment properties;
- all existing leases are enforceable and performed in accordance with their terms; and
- the Internalisation proceeds in accordance with the timetable set out in this Booklet.

7.6.2. Specific assumptions for GDF

The forecast financial information for GDF has been prepared by GDF based on an assessment of each individual property of GDF. In preparing the forecast financial information, GDF has taken into account the tenancy schedule, historical performance metrics and future outlook for each individual property, and the current market conditions as applicable to GDF.

The specific, best-estimate assumptions applied in preparing the forecast financial information for the financial year ending 30 June 2020 are described below.

Property income

Property income comprises gross rental income including outgoings recoveries and has been forecast on a property-by-property basis based on existing leases and assumptions for future occupancy rates, tenant retention and market rentals. It is noted outgoings recoveries have a corresponding amount recorded within property expenses.

As at the date of this Booklet, GDF does not believe there is any information to indicate any tenancy issues that would materially impact the forecasts.

The Botanicca 9 commercial project located in the Melbourne City-fringe suburb of Richmond was completed in June 2019. Based on discussions with prospective tenants, GDF has assumed that net income of \$1.05 million will be generated from the property in the financial year ending 30 June 2020. If this income is not realised, the forecast FFO per unit for GARDA Property Group for the year ending 30 June 2020 would decrease from 8.6 cents per unit to 8.1 cents per unit.

The projections in relation to property income are based on a number of assumptions and subject to a number of risks in relation to the operations of the properties. GDF Securityholders are already exposed to these risks, as investors in GDF.

Property income assumes the impact of a number of capital expenditure projects and leasing programs. This includes assumed or future lease income, incentives, and expected lease commencements.

Expiries, reletting and tenant incentives

Specific assumptions have been made in respect of each lease expiry over the forecast period for each individual property.

Reletting and lease incentives for expiring leases during the forecast period have been assumed on a property by property basis, taking into consideration agreements for lease, draft terms being negotiated with potential tenants (including existing tenants), and also taking into consideration available information for the relevant tenancy, such as current passing rent, market rent, property, locality, and discussions with tenants and potential tenants.

Letting up periods have been forecast on a property by property basis based on individual tenancies and management's historical experience and plans for the property.

Lease incentives comprising of rent free, fit out periods and tenancy fitouts are included in the forecast period.

Rental Guarantees

GDF has received rental guarantees for two of its properties to cover vacancies, lease incentives and rent abatements incurred to secure a new tenant.

The level of rental guarantees assumed to be received has regard to the assumptions in respect of tenant retention rates, let ups and lease incentives.

The value of the cash flows expected to be received under the rental guarantee has been capitalised to GDF's balance sheet. The amortisation of this amount is offset against the cash forecast to be recovered of the guarantee period.

Property expenses

Property expenses have been forecast on a property-by-property basis based on current outgoings expectations and best estimate assumptions relating to operational requirements of each property. It is noted to the extent these are considered recoverable a corresponding amount is recorded within property income.

Finance costs

Finance costs include interest, amortisation of discounts, or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangements of borrowings. Finance costs are expensed as incurred unless they relate to qualifying assets.

A qualifying asset is an asset under development or construction which takes a substantial period of time. Finance costs incurred for the acquisition and construction of a qualifying asset are capitalised to the cost of the asset for the period of time that is required to complete the asset. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets must be determined by using an appropriate interest rate.

Interest payments in respect of financial instruments classified as liabilities are included in finance costs.

Loan establishment costs are offset against financial liabilities under the effective interest method and amortised over the term of the facility to which they relate.

Management fees

Management fees comprise investment management fees and capital expenditure fees. Management fees have been forecast based on 0.65% per annum of GDF's estimated gross asset value while a capital expenditure fee of 5.0% is payable on the value of all capital works undertaken by GDF related to the properties.

Maintenance capex

Management has forecast capital expenditure for maintenance capex on a property by property basis in accordance with its assessment of infrastructure requirements, along with improvements to amenities, car parks and landscaping. Management has based its estimates on historical property expenditure, future capital expenditure requirements and quotes for work to be performed.

Leasing costs

Leasing costs comprise lease incentives and leasing fees. Leasing costs are forecast on the assumptions for new leases, existing tenant renewals and exercise of options over the forecast period.

Fees for leasing services are based on a percentage of net income received, and at market rates.

Distributions

GDF has paid distributions of 9.0 cents per GDF Unit in FY18 and FY19, and is forecasting 9.0 cents per GDF Unit for FY20. For the purposes of the forecast consolidated distribution statement a payout ratio of 100-105% of FFO is implied.

7.6.3. Specific assumptions for GCM

The forecast financial information for GCM has been prepared by GCM based on an assessment of current economic and operating conditions and assumptions regarding future events.

The specific, best-estimate assumptions applied in preparing the forecast financial information are described below.

Revenue

Revenue includes management fees, property management, leasing and capex fees derived for services provided to GDF. Fees have been forecast in accordance with relevant assumptions and underlying management agreements.

Management fee revenue has been forecast on the same basis as forecast management fee expenses to be incurred by GDF.

Leasing fees are forecast based on the assumptions for new leases, existing tenant renewals and exercise of options for GDF over the forecast period.

Capex fees have been forecast based on the forecast cost of GDF's development projects.

Expenses

Expenses include employee benefits expenses and corporate and administration costs.

7.6.4. Specific Assumptions for GARDA Property Group

The forecast financial information for GARDA Property Group has been prepared by GDF and GCM to reflect a consolidation of GDF and GCM on the basis that reflects the impact of certain transactions as if they occurred on or after 1 December 2019 including:

- elimination of income from GARDA Property Group's intra-group cross ownership of GDF (ie. Treasury Stock) being distribution income. It is noted fair value gains on the investment were not forecast by GCM; and
- elimination of GARDA Property Group's intra-group revenue and expense recoveries, including:
 - reductions in GCM income and corresponding GDF expenses; and
 - removal of revenues within GCM for costs capitalised by GDF (it is noted these amounts will be reflected through adjustments to the net gain/(loss) on sale / fair value movements of investment properties which are not included within the forecast operating income statement).

7.7. Summary of significant accounting policies

The significant accounting policies used to prepare the Financial Information are consistent with those disclosed in the GDF's and GCM's financial statements for the financial year ended 30 June 2019.

The preparation of the Financial Information requires estimates, judgments and assumptions that affect the reported amounts. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected.

The significant accounting policies below apply estimates, judgments and assumptions which could materially affect the financial performance and/or financial position reported in future periods.

Principles of consolidation

Subsidiaries are all entities over which the GARDA Property Group has control. GARDA Property Group controls an entity when the stapled group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to GARDA Property Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by GARDA Property Group.

Inter-entity transactions, balances and unrealised gains on transactions between stapled group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by GARDA Property Group.

When GARDA Property Group ceases to consolidate for an investment because of a loss of control any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if GARDA Property Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by GARDA Property Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. GARDA Property Group recognises any non-

controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Property income

Rental income derived from investment properties is recognised on a straight-line basis over the term of the lease.

The portion of rental income relating to fixed increases in rent in future years is recognised as a separate component of investment properties and amortised on a straight-line basis over the term of the lease.

Other income

Contracts with customers in relation to debt advisory services are specialised in nature and the customer does not benefit from the process undertaken, but rather the outcome. GARDA Property Group is only entitled to payment for services upon the successful completion of the contract. Hence, revenue is recognised upon completion of the service at a point in time.

Revenue from trailing commissions are recognised at gain value being the net present value of the expected future trailing commissions to be received.

Finance costs

Finance costs include interest, fair value movements in derivative financial instruments, payments in respect of derivative financial instruments and the amortisation of other costs incurred in respect of obtaining finance.

Finance costs associated with the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset during the period that is required to complete and prepare the asset for its intended use.

Borrowing costs not associated with qualifying assets are recognised as an expense when incurred.

Other costs incurred in respect of obtaining finance, including loan establishment fees, are deferred and expensed over the term of the respective loan facility.

Income tax - GDF

Under current income tax legislation, GDF is not liable to pay income tax as the net income of GDF is assessable in the hands of the beneficiaries (the GDF Securityholders) who are 'presently entitled' to the income of GDF. There is no income of GDF to which the GDF Securityholders are not presently entitled.

As a result, deferred taxes have not been recognised in the Financial Information in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the Financial Information. In the event that taxable gains are realised by GDF, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

Realised capital losses are not distributed to unitholders but are retained within GDF to be offset against any realised capital gains. The benefit of any carried forward capital losses are generally not recognised in the Financial Information, on the basis that GDF is a flow-through trust for Australian tax purposes. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income that is assessable in the hands of unitholders in that period and is distributed to unitholders in accordance with the requirements of the GDF constitution.

Income tax - GCM and its subsidiaries

GCM's income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax

rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment properties

Investment properties comprise of commercial and industrial properties which are held for long-term rental yields and/or capital appreciation and are not occupied by GARDA Property Group.

With the exception of investment properties acquired as part of a business combination, investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Fair value is the amount at which the investment property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A willing seller is neither a forced seller nor one prepared to sell at a price not considered reasonable in the market.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; and
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Gains and losses arising from changes in fair value of investment properties are recognised in profit or loss in the period in which they arise.

GARDA Property Group obtains independent valuations for its investment properties at least every two years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

The carrying amount of investment properties recorded in the balance sheet may include the cost of acquisition, additions, refurbishments, improvements, lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years. This includes any internal cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Existing investment properties being developed for continued future use are also carried at fair value.

Where GARDA Property Group disposes of an investment property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, with a corresponding adjustment recorded in profit or loss.

Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. They are recognised only if it is probable the asset will generate future benefits for GARDA Property Group.

Goodwill

Goodwill is measured as described in sections above. Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired as at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Management rights

Management rights acquired as part of a business combination are recognised at fair value at the acquisition date. Management rights have an indefinite useful life.

Impairment of intangibles

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as non-current liabilities unless GARDA Property Group has no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimate future cash outflows to be made by GARDA Property Group in respect of services provided by employees up to the reporting date.

The obligations are presented as current liabilities in the balance sheet if GARDA Property Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Impact of new and amended accounting standards

The AASB has issued AASB 16 Leases which supersedes AASB 117 Leases. As AASB 16 retains the distinction between operating leases and finance leases for lessors there is no fundamental change in accounting for leases between GARDA Property Group and its tenants.

As disclosed in the GCM 30 June 2019 audited financial report, the implication of the adoption of AASB 16 is an increase to right of use assets (included within property, plant and equipment) by \$0.2 million, and corresponding increase to liabilities split between \$0.1 million current borrowings and \$0.1 million to non-current borrowings. These adjustments have been recorded in the GCM pro forma balance sheet as at 30 June 2019.

7.8. Debt facilities and cash

As at the date of this Booklet, GCM had loans totalling \$11.97 million and GDF had debt facilities of \$180.8 million drawn to \$160.1 million. The GCM and GDF facilities will remain in place and are expected to be unaffected by the Internalisation.

7.9. Commitments

GDF has not entered into any significant contracts at the date of this Booklet other than those disclosed as adjustments in the pro forma historical balance sheet for GDF in section 7.3.4.

GCM operating lease commitments have been recorded within the pro forma balance sheet under AASB 16 Leases.

7.10. Contingent assets

GCL RE is continuing claims against two former tenants for arrears of rent. One of those claims is listed for trial in November 2019. GCL RE has filed a claim under warranties and indemnities given by various parties involved in the construction of the building Botanicca 7, at 572-576 Swan St, Richmond with respect to defects in the building. The builder is defending and has joined additional third parties as defendants. The matter has a mediation currently scheduled for December 2019 and is expected to be listed for trial during the second half of 2020. As at the date of this Booklet, it is not practicable to estimate the financial effect of the matter therefore no amount has been disclosed.



GARDA

08

RISKS

8. Risks

General and specific risks of an investment in the Fund were set out in section 8 of the GDF Product Disclosure Statement and subsequent announcements to ASX, including the Corporate Governance Statement of 22 August 2019, which may be found at <https://www.gardacapital.com.au/>. GDF Securityholders are already subject to the risks relevant to their investment in the Fund, and the Internalisation does not affect those risks. Accordingly, this Section does not seek to further address those risks.

If the Internalisation is implemented, GDF Securityholders will be exposed to a range of factors and risks relevant to the broader GARDA Property Group. This will include risks specific to the businesses operated by the GARDA Capital Group as set out in section 7 of the GCM Disclosure Document.

This Section outlines the specific and general risks which the Independent Directors believe may arise from the Internalisation and may affect GARDA Property Group's future operating and financial performance. There may be other risks and this Section does not seek to be exhaustive of all risks which may potentially arise from the Internalisation. Further, the occurrence or consequences of some of the risks described in this section may be partially or completely outside the control of GARDA Property Group, its directors and senior management team.

8.1. Specific risks

The specific risks relating to the Internalisation and to the broader GARDA Property Group include:

- **Completion risk** – Completion of the Internalisation is subject to a number of Conditions as set out in Section 11.2 of this Booklet, including Court approvals, approvals from ASX and ASIC, material counterparty consents, and the approval of both GCM Securityholders and GDF Securityholders. It is possible that these Conditions may not all be satisfied or waived in which case the Internalisation would not proceed. The implications if the Conditions are not satisfied are set out in Section 2.4 of this Booklet, and include transaction costs.
- **Risks associated with business of the GARDA Capital Group** –
 - **Licences** - Both GCL and certain Subsidiaries require an AFSL to conduct their respective funds management businesses. Similarly, other Subsidiaries of GCL hold and rely on an Australian credit licence and a real estate licence. If any of the statutory licences are adversely amended, or revoked, it may not be possible for that entity, or GARDA Property Group, to conduct the relevant licensed business to the same extent contemplated in this Booklet.
 - **Debt positions** – GCL's Subsidiary, GARDA Property Finance, invests in real estate debt positions, which may include making loans to property developers. A default by a borrower in circumstances where the security held by GARDA Property Finance is insufficient to cover the amount lent could impact the recoverability of the amount invested. This risk may be increased where the security held by GARDA Property Finance is subordinated to that of a senior lender.
 - **Historic liabilities** – GARDA Property Group will be exposed to any historic liabilities of GCL (including as responsible entity) and GFML as responsible entity of GCT.
- **Asset creation strategy** – GDF has an existing asset creation or “build to hold” strategy. The Board considers this strategy delivers benefits to GDF including potential project profit being accretive to equity or NTA and potentially higher income “yield on cost” compared to “yield on acquisition cost” of acquiring existing assets. This build to hold strategy will remain a primary focus of GARDA Property Group and is expected to result in a continued project pipeline for both new development opportunities and also refurbishment and repositioning of existing assets. However, the strategy exposes GARDA Property Group to the risks associated with property development such as development approval risk, builder and sub-contractor risk and the tenancy risk associated with a newly constructed property.
- **Direct exposure to operating costs** – following implementation of the Internalisation, the Fund will no longer pay management and other fees to an external related party. This means that GARDA Property Group will be directly exposed to changes in management and operating cost structures.
- **Management** – GARDA Property Group will be reliant on retaining and attracting quality senior management and staff to operate the Fund. While this risk exists today, following implementation of the Internalisation, the responsibility for managing this risk will be internalised rather than simply being that of a third party's responsibility. It is expected that alignment of senior management will increase through the internalisation, including because of the New GDF Stapled Securities expected to be issued to GCM Securityholders (including entities controlled by the Managing Director), however this benefit may not be realised if the relevant holders were to sell their New GDF Stapled Securities.
- **Financial information** – there is a risk that the assumptions in the financial information in Section 7 may not be achieved. One-off transaction and ongoing operating costs may be higher than forecast and additional revenues from the Internalisation may be lower than forecast. Forecasts by their nature are subject to uncertainties and

contingencies, many of which are outside GARDA Property Group's control. Therefore, there is a risk that the financial benefits targeted to arise from the Internalisation are not achieved to the extent anticipated, or at all.

- **Accounting risk** – The Internalisation will require a fair value assessment (as at the date of the Internalisation) of GARDA Capital Group's assets and liabilities to be performed, as well as the consideration offered, being GDF Stapled Securities.

The difference between the consideration offered and the fair value of assets and liabilities acquired will be recognised as goodwill, which is expected to be recorded as approximately \$34.1 million. The exact amount of goodwill recorded will depend on the trading price of GDF Units in the period prior to implementation of the Internalisation. If the GDF Unit price is higher, then the amount of goodwill will increase and if the GDF Unit price is lower, then the amount of goodwill will decrease.

In accordance with normal accounting practice, the goodwill recognised will be subject to impairment testing in future periods. In the event that the value of the goodwill reduces, this is likely to be reflected as an impairment charge in future statutory accounts. Any future impairment of goodwill may have an adverse impact on the reported financial performance of GARDA Property Group.

- **Tax consequences** – if the Internalisation proceeds, there may be tax consequences for GDF Securityholders and GDF Foreign Securityholders. GDF Securityholders and GDF Foreign Securityholders should seek their own independent professional advice regarding the individual tax consequences of the Internalisation applicable to them. Further information on the tax consequences of the Internalisation is set out in Section 10.
- **Changes in applicable law** – the existence of a company (GHL) in the new stapled structure gives rise to additional associated regulatory, tax, statutory and legal requirements which may change over time and have implications for GDF Securityholders. GHL and GCL RE must comply with various legal requirements imposed by securities laws and company laws in Australia. Should any of those laws change over time, the legal requirements to which GHL and GCL RE may be subject could differ materially from current requirements. Furthermore, changes in relevant taxation laws, accounting standards, other legal, legislative or other administrative regimes, and government policies (including government fiscal, monetary and regulatory policies), may have an adverse effect on assets, operations and, ultimately, financial performance. However, these risks might be seen as a usual part of doing business.

8.2. General risks

General risks relating to the Internalisation include:

- **Trading price** - There is no certainty that the Internalisation will maintain or improve the price of GDF Stapled Securities. The trading price of any listed security may change, depending on matters inherent to GARDA Property Group itself (such as its business and any material litigation it might become involved in), but also due to external factors. Securities on the ASX may be thinly or heavily traded, and can be very volatile, irrespective of any change in the underlying value of GARDA Property Group. There can be no guarantee that the number of buy orders at any point in time in the market will match or exceed the number of securities for sale, or that GDF Securityholders will be able to sell for a price which they or the Boards believe fairly reflects the value of their GDF Stapled Securities. In particular, if a significant number of GDF Securityholders choose to sell their GDF Stapled Securities, this may adversely impact the price of GDF Stapled Securities.
- **Economic conditions** – GARDA Property Group's financial performance may be negatively impacted by general economic conditions such as movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies. A general economic downturn may have a significant negative impact on your investment in GDF Stapled Securities.
- **Licencing** - the areas in which GCM operates are highly regulated and GCM is subject to a number of regulatory and licensing regimes. Among other things, current AFSL licensing requirements require GCL (and each of its Subsidiaries that hold an AFSL) to comply with minimum solvency and capital standards. Additionally, certain Subsidiaries of GCL hold an Australian credit licence and a Queensland real estate licence, each of which have certain legislative conditions attached. A significant change in one or more of these regulatory regimes (or any contravention thereof) may have a negative impact on GARDA Property Group.
- **Other regulation** - There is the risk that changes in any law, regulation or government policy affecting the properties or operations (which may or may not have a retrospective effect) of GARDA Property Group will have an effect on its performance. This may include (but is not limited to) changes to local state or federal zoning or planning schemes, environmental controls, health and safety requirements, foreign investment controls, discrimination and equal opportunity initiatives, and taxation regimes and accounting standards. Legal or regulatory changes may mean that certain categories of investors may be excluded from holding GDF Stapled Securities in the future.
- **Disputes and litigation** – in the ordinary course of operations, the GARDA Property Group may be involved in

disputes and possible litigation. The risk is increased with the increased diversity of business operations of GARDA Property Group. Financial performance may be adversely affected by disputes and litigation involving GARDA Property Group and its subsidiaries.

- **ASX listing requirements** – there are various listing requirements that GARDA Property Group must comply with, which may change over time. While GARDA Property Group will always seek to comply with these requirements, there can be no assurance that they will continue to be met.



GARDA

09

INDEPENDENT EXPERT REPORT

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The Independent Directors
GARDA Capital Limited
As responsible entity for the GARDA Diversified Property Fund
Level 21, 12 Creek Street
Brisbane QLD 4000

20 September 2019

Subject: Proposed merger with GARDA Capital Group

Dear Directors

The Proposal

- 1 On 20 September 2019, GARDA Capital Limited (GCL), in its capacity as the responsible entity (RE) for the GARDA Diversified Property Fund (GDF or the Fund), announced that GDF and the Garda Capital Group (GCM)¹ had entered into a scheme implementation agreement (the Agreement), pursuant to which the Fund will, in effect, acquire 100% of GCM and thereby internalise its management function (the Proposal).
- 2 The Proposal involves two broad steps:
 - (a) the establishment of GARDA Property Group (GPG) and the issue of stapled securities therein to existing GDF unitholders. GPG will comprise a stapled interest in GDF and the newly established GARDA Holdings Limited (GHL)²
 - (b) the acquisition by GPG of 100% of GCM by way of an inter-conditional scheme of arrangement and trust scheme (the Schemes).
- 3 To effect the Proposal, GPG is offering GCM securityholders 1.6 of its securities for every stapled security they hold in GCM. Pursuant to the Agreement, GCM is permitted to pay a dividend equal to (but not in excess of) its net profit after tax for the period 1 July 2019 through to the date of implementation (currently expected to be the end of November 2019), plus a distribution equal to the amount of any distribution received from GDF. GDF is permitted to pay 1Q20 and 2Q20 distributions of up to 2.25 cents per unit (cpu) in each quarter (with 2Q20 pro-rated up to the implementation date).

¹ Which comprises GARDA Capital Limited (GCL) and its subsidiaries, and the GARDA Capital Trust (GCT).

² The establishment of GPG and issue of stapled securities in GPG will not require GDF unitholders to pay any money, or to complete any application forms, as the stapling will be by way of distribution in specie and is already contemplated under the Fund's constitution.

- 4 If the Proposal is approved and implemented, GCM securityholders will own approximately 21% of GPG with 79% owned by GDF unitholders³.
- 5 Implementation of the Proposal requires approval by GDF unitholders, approval by GCM securityholders and the satisfaction, or waiver, of a number of conditions precedent (as summarised in Section I of our report).

GDF

- 6 GDF is an externally managed real estate investment trust (REIT) that listed on the Australian Securities Exchange (ASX) on 2 July 2015. The Fund invests in commercial offices in city and city-fringe markets as well as industrial facilities along the eastern seaboard of Australia. GDF currently owns 17 properties (5 commercial and 12 industrial) worth approximately \$404 million, comprising established income producing assets and assets that offer development opportunity⁴.

GCM

- 7 GCM is an integrated real estate business that specialises in funds management, real estate debt advisory and real estate investment. The Group comprises GCL and its subsidiaries, and GCT. GCL is the parent entity of the Group and is also the RE of GDF. GCT is the Group's primary investment vehicle and its main asset is an 11.8% interest in GDF.

Scope

- 8 The Proposal is considered a transaction with persons in a position of influence under ASX Listing Rule 10, and must be approved by way of an ordinary resolution (at a general meeting) by the unitholders in GDF that are not associated with GCM (Non-Associated GDF Unitholders)⁵.
- 9 ASX Listing Rule 10.2 requires the notice of general meeting to include a report from an independent expert stating whether the transaction is "fair and reasonable" to the Non-Associated GDF Unitholders.
- 10 Accordingly, the Independent Directors of GCL (acting as RE for GDF) have requested that Lonergan Edwards & Associates Limited (LEA) prepare an independent expert report (IER) stating whether, in LEA's opinion, the Proposal is fair and reasonable to the Non-Associated GDF Unitholders and the reasons for that opinion.
- 11 LEA is independent of GCM and GDF and has no involvement with, or interest in, the outcome of the Proposal other than the preparation of this report.

³ Assumes notional cancellation of "treasury stock" held by GPG post completion (21.9 million securities).

⁴ Includes the industrial property located at 326 & 340 Thynne Road, Morningside (Morningside), which is due to settle on 30 September 2019.

⁵ Whilst prima facie, the Proposal is also considered a related party transaction under Chapter 2E of the *Corporations Act 2001* (Cth) (Corporations Act), as modified to apply to registered management investment schemes such as GDF, GCL (as RE of GDF) expects the "arm's length terms" exception to apply. Accordingly, the approval of the Proposal by the Non-Associated GDF Unitholders is not required pursuant to the Corporations Act.

Summary of opinion

- 12 LEA has concluded that the Proposal is fair and reasonable to the Non-Associated GDF Unitholders, in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Value of GCM

- 13 We have assessed the value of 100% of the equity in GCM on a controlling interest basis as follows:

GCM – valuation summary⁽¹⁾			
	Paragraph	Low \$m	High \$m
Funds Management Platform	140	31.0	34.0
Investment in GDF	163	29.6	31.8
Investment property	178	1.2	1.3
Debt investments	179	2.0	2.0
Other assets / (liabilities)	182	3.3	3.3
Net debt	183	(10.8)	(10.8)
Equity value – controlling interest basis		56.3	61.6
Fully diluted securities on issue ⁽²⁾	186	26.4	26.4
GCM value per security – controlling interest basis (\$)		2.13	2.33

Note:

- 1 Rounding differences may exist.
2 Includes 2.4 million securities issued under GCM's Employee Security Plan (ESP).

Value of consideration offered

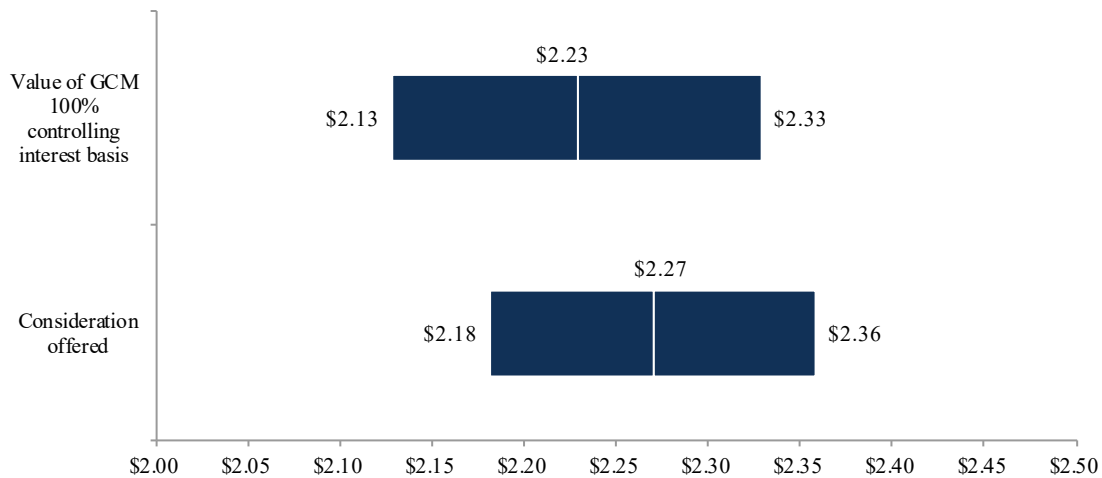
- 14 If the Proposal is approved and is implemented, GCM securityholders will receive 1.6 securities in GPG for every stapled security they hold in GCM. As set out in Section VII, we have assessed the value of the consideration offered (on a minority interest basis) at between \$2.18 and \$2.36 per GCM security.

Assessment of fairness and reasonableness

- 15 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111)⁶, the Proposal is “fair” if the value of what is acquired by the entity from the related party is greater than or equal to the value of the consideration provided. This comparison is shown below:

⁶ Which outlines the approaches that should be used in IERs when opining on public company transactions.

Comparison of the assessed value of GCM relative to the consideration offered⁽¹⁾



Note:

1 The white line positioned at the middle of our valuation range signifies the mid-point.

- 16 As the consideration offered is scrip (i.e. GPG securities) rather than cash, there is no single definitive estimate of value that can be relied upon for the purposes of assessing “fairness” pursuant to RG 111. Instead, the consideration offered has a range of possible value outcomes (which we have assessed as lying between \$2.18 and \$2.36 per GCM security). As GCM also has a range of possible value outcomes there are numerous different value comparisons that can be made between the value of GCM and the value of the consideration offered (some of which will be “fair” and others “not fair”). Given this, LEA considers it appropriate to assess “fairness” by reference to the degree of overlap that exists between the two valuation ranges, rather than by reference to any single point of comparison.
- 17 As there is a high degree of overlap of values and our assessed mid-point of the consideration offered lies within (and not in excess of) our assessed range of values for GCM, LEA considers the Proposal to be fair to the Non-Associated GDF Unitholders based upon the guidelines set out in RG 111. Notwithstanding our “fair” conclusion, Non-Associated GDF Unitholders should note there are some points of comparison within our assessed valuation ranges, which in isolation, would result in the Proposal being considered “not fair” (e.g. low with low). The extent to which Non-Associated GDF Unitholders place greater emphasis upon such individual points of comparison, rather than the degree of overlap, depends upon their individual views.
- 18 Pursuant to RG 111, the Proposal is reasonable if it is fair. Consequently, in our opinion, the Proposal is also “reasonable” to the Non-Associated GDF Unitholders.

Summary of advantages and disadvantages

- 19 We summarise below the likely advantages and disadvantages of the Proposal from the perspective of the Non-Associated GDF Unitholders:

Advantages

- (a) our assessed value of 100% of GCM is broadly consistent with our assessed value of the consideration offered, therefore the Proposal is considered fair to the Non-Associated GDF Unitholders based on the guidelines set out in RG 111. However, Non-Associated GDF Unitholders should note that the low, mid-point and high end of our assessed value of GCM are slightly lower than the value of the consideration being offered
- (b) the Proposal is expected to result in increased distributable earnings and distributions (in the short term). It is also likely to improve GDF's growth profile over the medium-to-long term (as the internalisation will result in GDF being able to grow its own AUM more cost effectively and potentially pursue the management of an additional external fund, or portfolio of external funds)
- (c) the Proposal is marginally value accretive for the Non-Associated GDF Unitholders
- (d) the internalisation will provide greater alignment of interests as the directors and management will become directly accountable to GPG securityholders only
- (e) expected continuity in the management team, who have a proven track record in the governance and day-to-day management of GDF
- (f) GDF's attractiveness as a potential takeover target is likely to be enhanced, through which GPG securityholders could realise a premium for control (albeit noting that REITs normally do not attract the payment of any material premium for control)

Disadvantages

- (g) NTA per security will decrease (by approximately 12%) to approximately \$1.18 per security on a pro-forma basis, although NAV will remain at approximately \$1.35 per security
- (h) gearing increases from 36.0% to 37.8% which is at the higher end of the observed gearing ratios of the ASX listed office and industrial focused A-REITs set out at Appendix E. That said, management have advised that GPG remains well within its banking covenants (on a pro-forma basis). Further, GPG has stated that it intends to sell its 'treasury stock' in the medium term following the Proposal, the proceeds of which would materially reduce gearing.

- 20 Based on the above, we consider the advantages of the Proposal to outweigh the disadvantages when considered from the perspective of the Non-Associated GDF Unitholders. Accordingly, in our opinion, the Proposal is fair and reasonable to the Non-Associated GDF Unitholders, in the absence of a superior proposal.

General

- 21 In preparing this report we have considered the interests of GDF unitholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual unitholders.

- 22 The ultimate decision whether to approve the Proposal should be based on each GDF unitholder's assessment of their own circumstances. If GDF unitholders are in doubt about the action they should take in relation to the Proposal or matters dealt with in this report, GDF unitholders should seek independent professional advice.
- 23 For our full opinion on the Proposal and the reasoning behind our opinion, we recommend that GDF unitholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Nathan Toscan
Authorised Representative

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I The Proposal

Summary

- 24 On 20 September 2019, GCL, in its capacity as the RE for GDF, announced that GDF and GCM had entered into a scheme implementation agreement (the Agreement), pursuant to which the Fund will, in effect, acquire 100% of GCM and thereby internalise its management function (the Proposal).
- 25 The Proposal involves the following steps which were broadly summarised at paragraph 2:
- (a) incorporation of GHL with all shares held by the Fund (which has already occurred)
 - (b) the Fund distributing all of the GHL shares to GDF unitholders so that all GDF unitholders will hold one GHL share for each existing unit held. This is authorised by the Fund's constitution. The receipt of new GHL shares by GDF unitholders will be by way of distribution in specie and will not require GDF unitholders to contribute any additional money, nor lodge an application form
 - (c) each GHL share being stapled to one existing unit in the Fund to form a GDF stapled security
 - (d) GPG will acquire 100% of the GCM securities, by way of an inter-conditional scheme of arrangement and trust scheme (the Schemes).
- 26 To effect the Proposal, GPG is offering GCM securityholders 1.6 of its securities for every stapled security they hold in GCM. Pursuant to the Agreement, GCM is permitted to pay a dividend equal to (but not in excess of) its net profit after tax for the period 1 July 2019 through to the date of implementation (currently expected to be the end of November 2019), plus a distribution equal to the amount of any distribution received from GDF. GDF is permitted to pay 1Q20 and 2Q20 distributions of up to 2.25 cpu in each quarter (with 2Q20 pro-rated up to the implementation date).
- 27 If the Proposal is approved and implemented, GCM securityholders will own approximately 21% of GPG with 79% owned by GDF unitholders⁷.

Conditions

- 28 The Proposal is subject to the satisfaction or waiver of a number of conditions precedent, which are set out in the Agreement. The conditions include:
- (a) all regulatory approvals are received and not withdrawn, including all ASIC and ASX approvals
 - (b) GDF unitholders approve the resolutions
 - (c) GCM securityholders approve the resolutions put forward at the GCM securityholder meetings, and the Court provides approval to implement the Schemes
 - (d) the stapling of GHL shares and GDF units (to form GPG securities) occurs before implementation of the Schemes

⁷ Assumes notional cancellation of "treasury stock" held by GPG post completion (21.9 million securities).

- (e) no other orders or restraints being issued by regulatory authorities or the Court
- (f) no regulated event or material adverse change occurs in respect of GDF or GCM as defined in the Agreement
- (g) the warranties given by GDF and GCM under the Agreement remain true and correct.

29 In addition, each of GCM and GDF have agreed that during the Exclusivity Period they will not:

- (a) continue, enter into, permit, solicit, invite, initiate or participate in negotiations or discussions with any third party, or take any such action, which may reasonably be expected to encourage or lead to a competing transaction (and any such existing negotiations or discussions in respect of any competing transaction have ceased as of the date of the Agreement)
- (b) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction
- (c) provide any information to a third party for the purposes of enabling that party to table a competing transaction.

30 The exclusivity obligations do not apply if GCM or GDF have each complied with the various obligations set out in the Agreement and their respective Boards determine:

- (a) the proposed competing transaction is a superior proposal or the steps which the GCM Board / GDF Board proposes to take may reasonably be expected to lead to a competing transaction which is a superior proposal⁸; and
- (b) based on written advice from its legal advisors, that compliance with exclusivity obligations would involve a breach of fiduciary duties or would otherwise be unlawful.

31 A break fee of \$600,000 is payable by either GCM to GDF or GDF to GCM in certain circumstances as specified in the Agreement.

32 The above listing is a summary only and further detail is set out in the Agreement as well as the Notice of Meeting and Explanatory Memorandum.

⁸ Subject to any potential breach of fiduciary duties, each of GCM and GDF must notify the other if it receives a superior competing proposal and allow five business days to match that competing proposal.

II Scope of our report

Purpose

Corporations Act

- 33 Chapter 2E of the Corporations Act prohibits (in all but limited circumstances⁹) a public company from “giving a financial benefit” to a “related party” without the approval of the securityholders that are not a party to the transaction. Giving a financial benefit to a related party includes buying an asset from or selling an asset to a related party. Whilst there is no specific requirement for an IER under the Corporations Act, the notice of meeting sent to members must include all information that is reasonably required in order for the members to decide whether it is in their best interests to pass the proposed resolution.
- 34 Pursuant to Part 5C.7 of the Corporations Act, the above stated restrictions also apply (with some modification) to registered management investment schemes such as GDF. Related parties of a registered managed investment scheme include the directors of the responsible entity of the scheme and the entities they control.
- 35 A number of the Directors of GCL, namely Mr Matthew Madsen (Mr Madsen), Mr Mark Hallett and Mr Philip Lee, and the entities they control, will be issued GPG securities under the Proposal (Related Party Securityholders). Accordingly, the Proposal involves the giving of a financial benefit to related parties.
- 36 However, GCL (as RE of GDF) has indicated that it will not seek to obtain approval of the Proposal pursuant to Chapter 2E of the Corporations Act (as modified by Part 5C.7 for registered managed investment schemes), on the basis that the exception provided in s210 of the Corporations Act applies, in that the issue of GDF securities to the Related Party Securityholders is on “arm’s length terms”.

ASX Listing Rules

- 37 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to (amongst others) a related party, or a substantial securityholder¹⁰, or associates of either without the approval of the holders of the entity’s ordinary securities. Approval is required by resolution at a general meeting.
- 38 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the book value of the equity interests of the entity as set out in the latest accounts provided to the ASX under the ASX Listing Rules.
- 39 ASX Listing Rule 10.10.2 requires that the notice of general meeting include a report from an independent expert stating whether the transaction is fair and reasonable to the holders of the entity’s ordinary securities whose votes are not to be disregarded.

⁹ For example, if the financial benefit is considered to be given on “arm’s length terms”.

¹⁰ A substantial securityholder is a person that holds a relevant interest in the entity of 10% or more (or has held the same at any time in the last six months).

- 40 The Proposal involves an acquisition of securities from related parties of GDF, namely the Related Party Securityholders, and also a substantial unitholder of GDF, HGT Investments Pty Ltd (HGT Investments). The GCM securities to be acquired under the Proposal are a substantial asset as defined in ASX Listing Rule 10.2.

Independent Directors' recommendation

- 41 It should also be noted that the recommendation of the Proposal by the Independent Directors of GCL is subject to an independent expert concluding, and continuing to conclude, that the Proposal is fair and reasonable to the Non-Associated GDF Unitholders, and there being no superior proposal.

Our engagement

- 42 Given the above, the Independent Directors of GCL (acting as RE for GDF) have requested that LEA prepare an IER stating whether the Proposal is fair and reasonable to the Non-Associated GDF Unitholders and the reasons for that opinion.
- 43 This report has been prepared by LEA for the benefit of GDF unitholders to assist them in considering the resolution to approve the Proposal. Our report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to GDF unitholders. The sole purpose of our report is to determine whether, in our opinion, the Proposal is fair and reasonable to the Non-Associated GDF Unitholders. This report should not be used for any other purpose.
- 44 The ultimate decision whether to approve the Proposal should be based on each GDF unitholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposal or matters dealt with in this report, GDF unitholders should seek independent professional advice.

Basis of assessment

- 45 In preparing our report, we have had regard to the Regulatory Guides issued by ASIC, particularly Regulatory Guide 76 – *Related Party Transactions* and RG 111, as well as the ASX Listing Rules.
- 46 The ASX Listing Rules do not define the meaning of, or describe the test to be applied in determining whether a transaction with persons in a position of influence is "fair and reasonable". We note however, that RG 111 expressly states that the evaluation of a related party transaction / transaction with persons in a position of influence should be based upon a separate assessment of "fairness" and "reasonableness". RG 111 further states that the transaction should not be assessed simply by reference to the advantages and disadvantages of the transaction (as ASIC does not consider this to provide members with sufficient valuation information).
- 47 Pursuant to RG 111, a related party transaction / transaction with a person in a position of influence per ASX Listing Rule 10.1:
- (a) is "fair" if the value of what is acquired by the entity from the related party is greater than or equal to the value of the consideration provided. Importantly, the value of the assets acquired (GCM securities in this instance) is to be determined based upon market value principles (i.e. assuming a knowledgeable and willing, but not anxious, buyer and

a knowledgeable and willing, but not anxious, seller acting at arm's length, noting that any special value of the "target" to a particular "bidder" should not be taken into account¹¹)

- (b) is "reasonable" if it is "fair". It might also be "reasonable" if, despite being "not fair", the expert believes there are sufficient reasons for securityholders to vote in favour of the proposal.

48 Given the above, in our opinion, the most appropriate basis upon which to evaluate whether the Proposal is "fair and reasonable" to the Non-Associated GDF Unitholders is to consider:

Fairness

- (a) the market value of GCM on a 100% controlling interest basis
- (b) the value of the consideration offered (i.e. securities in GPG)
- (c) the extent to which (a) and (b) differ, in order to assess whether the Proposal is "fair" (i.e. whether the market value of GCM is equal to or greater than the consideration offered)

Reasonableness

- (d) the relevant position of the Non-Associated GDF Unitholders before and after implementation of the Proposal assessed on a consistent basis (i.e. by comparing the portfolio value before implementation with the portfolio value afterwards)
- (e) the impact of the Proposal on the ownership and control of GDF
- (f) the impact of the Proposal on the financial performance and position of GDF
- (g) the implications for GDF unitholders if the Proposal is not approved and implemented
- (h) other qualitative and strategic issues associated with the Proposal and the extent to which, on balance, they may advantage or disadvantage Non-Associated GDF Unitholders.

Limitations and reliance on information

49 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

50 Our report is also based upon financial and other information provided by GDF and its advisors. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

¹¹ e.g. synergies that are not available to other bidders.

- 51 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming our opinion. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisors in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 52 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 53 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 54 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 55 In forming our opinion, we have also assumed that:
- (a) the information set out in the Notice of Meeting and Explanatory Memorandum is complete, accurate and fairly presented in all material respects
 - (b) if the Proposal becomes legally effective, it will be implemented in accordance with the terms set out in this report.

III Profile of GDF

Overview

56 GDF is an externally managed REIT that listed on the ASX on 2 July 2015. The Fund invests in commercial offices in city and city-fringe markets as well as industrial facilities along the eastern seaboard of Australia. GDF currently owns 17 properties (five commercial and 12 industrial) worth approximately \$404 million, comprising established income producing assets and assets that offer development opportunity¹².

57 A summary of the key statistics of GDF is set out below:

GDF – key statistics

Fund commencement date	16 April 2003
ASX listing date	2 July 2015
RE	GCL
Custodian	The Trust Company (Australia) Limited
Interest held by GCM (via GCT) ⁽¹⁾	11.8%
Number of properties held ⁽²⁾	17
Gross property assets (pro-forma 30 June 2019 ⁽²⁾) (\$m)	403.8
Total rental income ⁽³⁾ (FY19) (\$m)	25.4
Total rental income ⁽²⁾⁽³⁾ (FY20F) (\$m)	29.1
Distributions	Paid quarterly
FY19 distributions (cpu)	9.0
FY20 distribution guidance (cpu)	9.0

Note:

- 1 The interest is held by GCT.
- 2 Includes the Acacia Ridge / Archerfield acquisitions which were acquired on 5 July 2019 and the acquisition of Morningside, which is due to settle on 30 September 2019.
- 3 Net of amortised leasing fees and incentives.

Source: GDF FY19 Annual Financial Report, GDF 1H19 Interim Financial Report and associated ASX releases.

58 GCL acts as the RE to GDF. GCL is the parent entity of GCM, an ASX listed real estate investment and funds management group. GCM is a stapled entity comprising GCL and GCT, a registered managed investment scheme and the primary investment vehicle for GCM. GCT is the second largest unitholder in GDF with a holding of 11.8%. Further information on GCM is set out at Section IV.

59 The fees payable by GDF for the management of the Fund are summarised below:

¹² Includes the industrial property located at 326 & 340 Thynne Road, Morningside (Morningside), which is due to settle on 30 September 2019.

GDF – summary of fees payable for the management of the Fund

Type of fee or cost	Entitlement
---------------------	-------------

RE fees

Ongoing management fees and costs	• 0.65% per annum of the gross asset value (GAV) of the Fund (reducing to 0.60% per annum of GAV in excess of \$750 million)
Capital works fee	• 5.0% of the value of all capital works undertaken on the Fund's properties
Reimbursement	• Reimbursement for reasonable expenses incurred in the operation of the Fund (e.g. costs of the Fund's external advisors such as auditors, ongoing fees payable to the ASX etc) ⁽¹⁾

Management Services Agreement⁽²⁾

Property management	• Property management fee of up to 3.0% per annum of the gross revenue of each property
Leasing fees	• Leasing fees (of varying percentages based upon lease term) for establishing new tenants and managing the renewal of leases by existing tenants
Sale / disposal fee	• Sale fee of 2.5% of total sale price of property ⁽³⁾

Note:

- 1 GCL is entitled to recover all such expenses from the assets or income of the Fund, including any amounts payable to other members of GCM.
- 2 GCL has delegated certain aspects of its role to other members of GCM pursuant to a Management Services Agreement.
- 3 Other licensed agents may be appointed, in which case the fee payable is reduced accordingly (but not beyond \$nil).

Source: GDF.

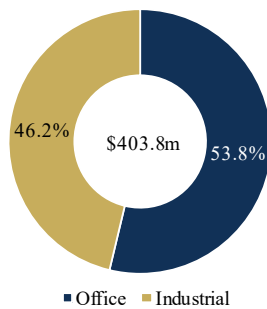
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- 60 GCL's role as RE of GDF is subject to the provisions of the Corporations Act relating to the retirement and removal of REs for listed managed investment schemes. GCL effectively has indefinite tenure unless it wants to retire, or is unilaterally terminated by GDF, by way of:
- (a) an ordinary resolution of GDF securityholders (i.e. at least 50% of the votes cast); or
 - (b) the termination of the Fund which would require an extraordinary resolution of GDF securityholders (i.e. at least 50% of those members entitled to vote).
- 61 The Management Services Agreement remains on foot (even in the event GCL ceases to be the RE) but can be terminated with 90 days' notice.

Portfolio overview

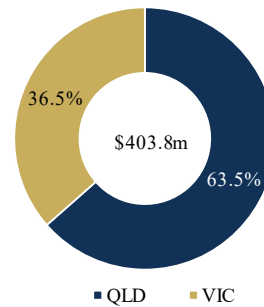
- 62 GDF's property interests are almost evenly split between the office and industrial sectors and between Queensland (QLD) and Victoria (VIC):

GDF – portfolio by sector and by location

Sector focus⁽¹⁾



Geographic location⁽¹⁾



Note:

1 Based on pro-forma property assets as at 30 June 2019 (i.e. including the Acacia Ridge / Archerfield acquisitions and the acquisition of Morningside, which is due to settle on 30 September 2019).

- 63 A summary of the individual properties held by GDF is set out below (further information on each property can be found at Appendix C):

GDF – portfolio overview⁽¹⁾

		Valuation \$m	NLA ⁽²⁾ sqm	Occupancy ⁽³⁾ %	WALE ⁽³⁾ Years	Cap rate %
Commercial office properties						
7–19 Lake Street, Cairns	QLD	57.0 ⁽⁴⁾⁽⁵⁾	14,683	97	3.6	8.25
154 Varsity Parade, Varsity Lakes	QLD	12.8 ⁽⁴⁾	3,994	83	2.6	8.25
572–576 Swan Street, Richmond	VIC	53.0 ⁽⁴⁾	6,587	100	4.4	5.75
588 Swan Street, Richmond (Botanicca 9)	VIC	62.8 ⁽⁶⁾	7,109	-	-	5.75
436 Elgar Road, Box Hill	VIC	31.5 ⁽⁴⁾	5,729	100	3.4	6.25
Subtotal as at 30 June 2019		217.1	38,102	74	3.7	6.63
Industrial properties						
142-150 Benjamin Place, Lytton	QLD	9.5 ⁽⁴⁾	5,677	100	1.9	7.00
69-79 Diesel Drive, Mackay	QLD	30.0 ⁽⁴⁾	13,843	100	9.5	7.50
67 Noosa Street, Heathwood	QLD	10.5 ⁽⁴⁾	6,022	100	8.8	7.25
41 Bivouac Place, Wacol	QLD	35.3 ⁽⁴⁾	9,994	100	9.0	6.25
70-82 Main Beach Road, Pinkenba	QLD	20.0 ⁽⁴⁾	40,490	100	14.1	7.00
Subtotal as at 30 June 2019		105.3	76,026	100	9.2	6.92
<i>Additions post 30 June 2019:</i>						
38 Peterkin Street, Acacia Ridge	QLD	6.0 ⁽⁷⁾	4,465	100	1.3	7.50
56 Peterkin Street, Acacia Ridge	QLD	7.2 ⁽⁷⁾	4,794	100 ⁽³⁾	1.5 ⁽³⁾	7.25
69 Peterkin Street, Acacia Ridge	QLD	11.9 ⁽⁷⁾	7,412	100 ⁽³⁾	1.5 ⁽³⁾	7.25
839 Beaudesert Road, Archerfield	QLD	6.0 ⁽⁷⁾	4,524	92	1.9	8.00
326 & 340 Thynne Road, Morningside	QLD	41.0 ⁽⁷⁾	16,979	100	3.4	5.75
Subtotal		72.0	38,174	99	2.4	6.48
Total industrial properties		177.3	114,200	100 ⁽⁸⁾	6.7	6.74
Total as at 30 June 2019		322.3	114,128	84	5.3	6.72
Total (pro-forma)		394.3	152,302	84	5.1	6.68

GDF – portfolio overview⁽¹⁾

		Valuation \$m	NLA ⁽²⁾ sqm	Occupancy ⁽³⁾ %	WALE ⁽³⁾ Years	Cap rate %
Investment properties under construction						
1-9 Huntress Road, Berrinba	QLD	3.0 ⁽⁴⁾	n/a	n/a	n/a	n/a
498 Progress Road, Wacol	QLD	6.5 ⁽⁴⁾	n/a	n/a	n/a	n/a
Subtotal		9.5	n/a	n/a	n/a	n/a
Total / weighted average (pro-forma)		403.8	152,302	84⁽⁹⁾	5.1	6.68

Note:

- 1 Rounding differences may exist.
 - 2 Net lettable area (NLA).
 - 3 Occupancy and weighted average lease expiry (WALE) as at 1 July 2019 based on gross income. WALE includes a \$2.0 million rental support facility for 56 & 69 Peterkin Street, Acacia Ridge (Acacia Ridge) which can be received as an up-front payment or over equal / non equal instalments. The occupancy and WALE figures for 56 & 69 Peterkin Street are been based on a pro-rata allocation of the \$2.0 million rental support facility by NLA divided by the independently assessed market rents for each property.
 - 4 Independent valuation as at June 2019.
 - 5 Includes land at 26-30 Grafton Street, Cairns.
 - 6 Based on an independent valuation on an “as-if” complete basis as at 1 June 2019. Construction for Botanica 9 was substantially completed in May 2019.
 - 7 Based on the acquisition price.
 - 8 Marginally less than but rounds to 100%.
 - 9 Occupancy excluding the currently vacant Botanica 9 is 98%.
- n/a – not applicable.

Source: GDF.

- 64 GDF’s properties are tenanted by a mix of listed companies, national and multinational companies, government bodies and other entities. The top tenants of the Fund as a percentage of gross passing rent as at 30 June 2019 were as follows:

GDF – top 10 tenants⁽¹⁾

Tenant	Industry	% of gross passing rent
Planet Innovation	Science & Technology	9.9
J Blackwoods & Sons	Industrials	9.2
Volvo Group	Automotive	8.7
Qld Government (DTMR)	Government	7.3
Golder Associates	Professional Services	6.6
Komatsu	Industrials	6.0
Byrne Group	Industrials	5.3
Fulton Hogan	Industrials	3.6
McLardy McShane	Professional Services	3.5
James Engineering	Industrials	3.2
Total		63.1

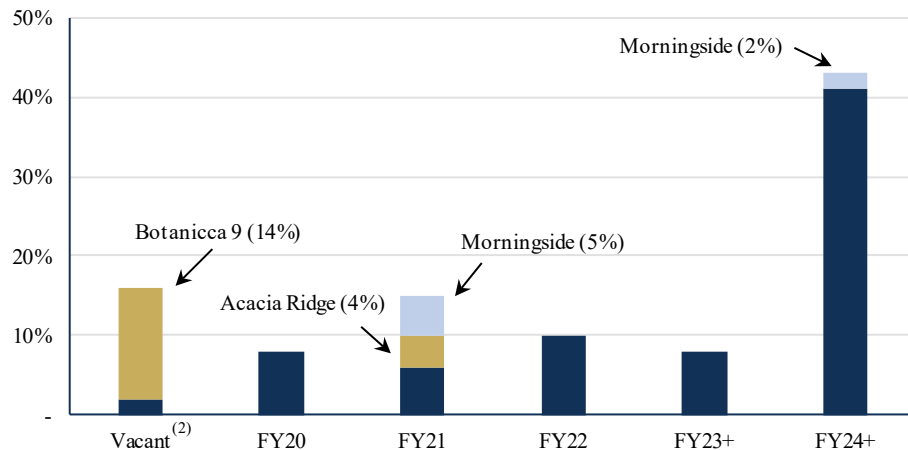
Note:

- 1 Based on pro-forma property assets as at 30 June 2019 (i.e. including the Acacia Ridge / 839 Beaudesert Road, Archerfield (Archerfield) acquisitions and the acquisition of Morningside, which is due to settle on 30 September 2019.

Source: GDF.

65 The lease expiry of the Fund is as follows:

GDF – lease expiry profile⁽¹⁾



Note:

- 1 Based on pro-forma property income as at 30 June 2019 (i.e. including the Acacia Ridge / Archerfield acquisitions and the acquisition of Morningside, which is due to settle on 30 September 2019).
- 2 Vacant includes 14% which relates to Botanicca 9, a recently completed commercial office project in the Melbourne city-fringe suburb of Richmond. No pre-commitment or space is currently leased for this property.

Source: GDF.

66 GDF has minimal near term existing expiry, with the majority of FY20 lease expiries currently under negotiation or consideration. In addition, the majority of vacant space relates to the Botanicca 9 development which recently reached completion.

Statement of financial performance

67 The financial performance of GDF for the four years ended 30 June 2019 is summarised below:

GDF – statement of financial performance⁽¹⁾

	FY16	FY17	FY18	FY19
	Audited	Audited	Audited	Audited
	\$m	\$m	\$m	\$m
Rental income ⁽²⁾	17.1	19.9	19.2	25.4
Property expenses	(4.8)	(5.2)	(4.9)	(5.9)
Net property income	12.3	14.7	14.3	19.4
RE fees	(0.9)	(1.2)	(1.5)	(2.1)
Administrative expenses	(0.6)	(0.8)	(1.3)	(2.3)
Earnings before interest and tax (EBIT)	10.7	12.7	11.5	15.0
Finance costs	(1.7)	(2.5)	(1.6)	(2.9)
Finance revenue	0.0	0.1	0.1	0.1
Changes in fair value of properties	10.1	9.5	14.3	9.0
Changes in fair value of derivative financial instruments	(1.1)	0.5	(0.2)	(2.0)
Net gain / (loss) on sale of properties	-	(0.2)	-	1.6
Impairment of receivables	(0.1)	-	-	-
Transaction costs	-	-	-	-
Litigation proceeds	-	-	-	8.0
Net profit attributable to unitholders	17.9	20.1	24.2	28.8

GDF – statement of financial performance⁽¹⁾

	FY16	FY17	FY18	FY19
	Audited	Audited	Audited	Audited
	\$m	\$m	\$m	\$m
Adjustment for specific non-cash items ⁽³⁾	(8.8)	(9.5)	(13.6)	(7.4)
Adjustment for significant items ⁽⁴⁾	-	0.2	0.7	(8.2)
Funds from operations (FFO)	9.1	10.7	11.2	13.2
Distributions to unitholders	8.5	10.1	11.3	13.8
<i>Number of properties at the start of the year</i>	<i>7</i>	<i>7</i>	<i>9</i>	<i>11</i>
<i>Number of properties sold</i>	<i>-</i>	<i>1</i>	<i>-</i>	<i>1</i>
<i>Number of properties purchased</i>	<i>-</i>	<i>3</i>	<i>2</i>	<i>2</i>
<i>Number of properties at the end of the year</i>	<i>7</i>	<i>9</i>	<i>11</i>	<i>12</i>
<i>Earnings per unit (cents)</i>	<i>18.8</i>	<i>19.3</i>	<i>18.8</i>	<i>18.9</i>
<i>FFO per unit (cents)</i>	<i>9.6</i>	<i>10.3</i>	<i>8.7</i>	<i>8.7</i>
<i>Distribution per unit (cents)</i>	<i>9.0</i>	<i>9.4</i>	<i>9.0</i>	<i>9.0</i>

Note:

- 1 Rounding differences may exist.
- 2 Net of amortised leasing fees and incentives.
- 3 Adjustments include add-backs for amortisation of incentives and leasing fees, straight lining of lease revenue and fair value adjustments on properties and financial instruments.
- 4 Adjustments include add-backs for profit / (loss) on sale of investment properties, non-underlying legal / consultant expenses, transaction costs and litigation proceeds received.

Source: GDF FY17, FY18 and FY19 Annual Financial Reports.

68 In relation to the FY17 financial performance, we note the following:

- (a) rental income and property expenses increased following the acquisition of a modern industrial distribution facility towards the start of the financial year. The property at 69-79 Diesel Drive, Mackay was purchased for \$29.5 million and settled on 26 August 2016
- (b) RE fees also increased as a result of the acquisition
- (c) on 9 June 2017, GDF completed the sale of 12-14 The Circuit, Eagle Farm for \$23.0 million. The sale price reflected a 2.7% premium to the June 2016 independent valuation, however, after transaction costs a small loss of \$0.2 million was recognised
- (d) towards the end of the year the Fund acquired two investment properties on a “fund through” basis:
 - (i) on 6 June 2017, GDF exchanged contracts for \$32.5 million to acquire a new industrial and office facility located at 41 Bivouac Place, Wacol. Costs of \$0.9 million were capitalised in FY17 which related to the initial deposit paid
 - (ii) on 14 June 2017, the Fund exchanged contracts for \$19.0 million to acquire an industrial facility at 70-82 Main Beach Road, Pinkenba. In FY17 land of \$8.0 million was settled
- (e) a gain of \$0.5 million was recognised with respect to the fair value of derivative financial instruments used by the Fund to hedge interest rate risk with respect to its borrowings.

69 In relation to the FY18 financial performance, we note the following:

- (a) rental income and property expenses decreased in FY18 due to the full year impact from the sale of 12-14 The Circuit, Eagle Farm which occurred in June 2017. This was partially offset by the acquisition of an industrial property at 67 Noosa Street, Heathwood for \$9.8 million which settled on 30 April 2018
- (b) on 14 November 2017, the Fund settled an acquisition of a 3,621 square metre (sqm) land parcel at 588 Swan Street, Richmond for Botanicca 9. Development of the property commenced in FY18 and was substantially completed by May 2019
- (c) RE fees increased as the Fund's portfolio size and value increased relative to the prior period
- (d) administration costs increased primarily as a result of additional (non-recurring) litigation expenses of some \$0.7 million
- (e) a loss of \$0.2 million was recognised with respect to the fair value of derivative financial instruments used by the Fund to hedge interest rate risk with respect to its borrowings.

70 In relation to the FY19 financial performance, we note the following:

- (a) rental income and property expenses increased in FY19 due to the full year impact from 67 Noosa Street, Heathwood (settled 30 April 2018) and contributions from 41 Bivouac Place, Wacol and 70-82 Main Beach Road, Pinkenba, which completed construction in June 2018 and July 2018 respectively
- (b) on 27 June 2019, GDF settled the sale of 747 Lytton Road, Murarrie for \$17.3 million which resulted in a net gain on sale of \$1.6 million after transaction costs
- (c) RE fees increased as the Fund's portfolio size and value increased relative to the prior period
- (d) administration costs increased from the prior year as a result of as a result of additional (non-recurring) litigation and legal / consultancy expenses (\$0.7 million each). On a normalised basis, administration expenses were broadly comparable to the prior periods
- (e) a loss of \$2.0 million was recognised with respect to the fair value of derivative financial instruments used by the Fund to hedge interest rate risk with respect to its borrowings
- (f) GDF received a one off (non-recurring) payment of \$8.0 million in December 2018 in relation to settlement of a litigation matter with Herron Todd White.

71 GDF expects FFO to increase to 8.9 cpu in FY20, primarily as a result of the acquisition of Acacia Ridge / Archerfield and Morningside and leasing contributions from Botanicca 9.

72 GDF's targeted payout ratio is 90% to 100% of FFO. The distributions for FY16, FY17 and FY18 were consistent with this policy. The payout ratio in FY19 was 104.7% and FY20 base case guidance of a 9.0 cpu distribution reflects a payout ratio of 100% to 105%. GDF's payout ratio is expected to normalise upon leasing of Botanicca 9.

Statement of financial position

73 GDF's reported financial position as at 31 December 2018, as well as reported and pro-forma financial position as at 30 June 2019, is set out below:

GDF – statement of financial position⁽¹⁾					
	31 Dec 18	30 Jun 19			30 Jun 19
	Reviewed	Audited	Adj. 1⁽²⁾	Adj. 2⁽³⁾	Pro-forma
	\$m	\$m	\$m	\$m	\$m
Cash and cash equivalents	11.0	20.2	(15.4)	-	4.8
Trade and other receivables	1.3	1.4	-	-	1.4
Other assets	0.9	1.9	(1.9)	-	-
Investment properties	306.3	332.8	31.0	41.0	404.8
Total assets	319.5	356.3	13.7	41.0	411.0
Trade and other payables	(1.5)	(4.2)	-	-	(4.2)
Distribution payable	(3.6)	(3.6)	-	-	(3.6)
Interest bearing liabilities	(104.2)	(128.3)	(10.2)	(12.5)	(150.9)
Tenant security deposits	(0.6)	(0.3)	-	-	(0.3)
Derivatives	(1.3)	(2.8)	-	-	(2.8)
Total liabilities	(111.2)	(139.2)	(10.2)	(12.5)	(161.9)
Net assets	208.3	217.1	3.6	28.5	249.2
<i>Units on issue (million)</i>	<i>158.4</i>	<i>158.4</i>	<i>4.4</i>	<i>22.5</i>	<i>185.4</i>
<i>NTA per unit (\$)</i>	<i>1.31</i>	<i>1.37</i>			<i>1.34</i>
<i>Loan to value ratio (LVR)⁽⁵⁾</i>	<i>34.0</i>	<i>38.5</i>			<i>36.0</i>
<i>Gearing⁽⁵⁾</i>	<i>30.2</i>	<i>32.2</i>			<i>37.3</i>

Note:

- 1 Rounding differences may exit.
- 2 Relates to the repayment of debt facilities associated with the sale of 747 Lytton Road, Murarrie which settled on 27 June 2019 (settlement monies were included in the 30 June 2019 cash balance) and the purchase of the Acacia Ridge / Archerfield properties (which was announced on 24 June 2019 and settled on 5 July 2019) and included the issue of 4.4 million units at \$1.36 per unit.
- 3 Relates to the acquisition of Morningside (which is due to settle on 30 September 2019) and associated capital raising (22.5 million units at \$1.40 per unit).
- 4 LVR is calculated as total drawn debt divided by total property value.
- 5 Gearing is calculated as total drawn debt (net of cash) divided by total tangible assets (net of cash).

Source: GDF FY19 Annual Financial Report and GDF Notice of General Meeting and Explanatory Memorandum.

74 In relation to the financial position, we note the following:

- (a) **cash and cash equivalents** – GDF was carrying large amounts of cash and cash equivalents as at 31 December 2018 and 30 June 2019 due to the following:
 - (i) 31 December 2018 – included \$8.0 million received on 20 December 2018 from the Fund's settlement of an outstanding litigation matter with Herron Todd White. On 2 January 2019, \$8.5 million of GDF's cash was applied to partially repay the Fund's existing debt facilities

- (ii) 30 June 2018 – included proceeds from the sale of 747 Lytton Road, Murarrie which was used to partially fund the \$31 million Acacia Ridge / Archerfield acquisitions, which settled on 5 July 2019
- (b) **investment properties** – a summary of the breakdown of investment properties is set out below (further information on each property can be found at paragraph 63 and Appendix C):

GDF – investment properties⁽¹⁾				
	30 Jun 19 Audited \$m	Adj. 1⁽²⁾ \$m	Adj. 2⁽³⁾ \$m	30 Jun 19 Pro-forma \$m
Commercial properties	217.1	-	-	217.1
Industrial properties	105.3	31.0	41.0	177.3
Investment properties under construction	9.5	-	-	9.5
Subtotal	331.8	31.0	41.0	403.8
Value accretive additions (Directors' valuation)	1.0	-	-	1.0
Total	332.8	31.0	41.0	404.8

Note:

- 1 Rounding differences may exist.
- 2 Relates to the purchase of the Acacia Ridge / Archerfield properties which was announced on 24 June 2019 and settled on 5 July 2019.
- 3 Relates to the acquisition of Morningside, which is due to settle on 30 September 2019.

- (c) **distributions payable** – comprise accrued distributions for the fourth quarter of FY19 that had been declared but not yet paid out in cash to unitholders. The distribution of 2.25 cpu was paid on 20 August 2019
- (d) **interest bearing liabilities** – as at 30 June 2019, GDF had debt facilities totalling \$168.7 million which were drawn to \$128.5 million as set out in the table below:

GDF – interest bearing liabilities⁽¹⁾			
	Facility limit \$m	Available \$m	Drawn amount \$m
St George facilities	138.1	40.2	97.9
ANZ ⁽²⁾ Investment Facilities	30.7	-	30.7
Total (30 Jun 19)	168.7	40.2	128.5
Capitalised borrowing costs			(0.2)
Interest bearing liabilities (reported 30 June 19)			128.3
Post 30 Jun 19 property acquisition impacts:			
Total (30 Jun 19)	168.7	40.2	128.5
Debt repayment from property sale proceeds ⁽³⁾	(6.4)	-	(15.4)
Acacia Ridge / Archerfield acquisition	-	-	25.6
Morningside acquisition	-	-	12.5
Total (pro-forma 30 Jun 19)	162.3	4.4	151.2
Capitalised borrowing costs			(0.2)
Interest bearing liabilities (pro-forma 30 Jun 19)			150.9

Note:

- 1 Rounding differences may exist.
- 2 Australia and New Zealand Banking Group Limited (ANZ).
- 3 Relates to the sale of 747 Lytton Road, Murarrie which settled on 27 June 2019.

In respect of the above, we note that:

- (i) on 2 July 2019, \$6.4 million of debt facilities with St George Bank Limited (St George) were retired upon repayment of loans associated with the sale of 747 Lytton Road, Murarrie
- (ii) the St George facility is secured by a first registered mortgage over all of GDF's investment properties excluding the two properties secured by a first registered mortgage under the ANZ Investment facility (see below) and the properties under construction¹³, a first registered fixed and floating charge over the assets of the Fund in favour of the bank relating to the security properties and a guarantee and indemnity provided by GCL. The St George facility requires an LVR below 50% and an interest coverage ratio above 2.5 times
- (iii) the ANZ Investment facility is secured by a first registered mortgage over two investment properties¹⁴, a second ranking general security interest over the assets of the Fund in favour of the bank relating to the security properties and a guarantee and indemnity provided by GCL. Covenants of the ANZ Investment facility include an LVR no greater than 60% for the property at 41 Bivouac Place, Wacol and an LVR no greater than 50% for the property at 70-82 Main Beach Road, Pinkenba and an interest coverage ratio above 2.5 times
- (iv) as at 30 June 2019, GDF complied with its various debt covenants
- (v) GDF has a long term target LVR of between 30% to 35%
- (e) **derivative financial instruments** – GDF uses derivative financial instruments to hedge interest rate risk with respect to its borrowings. As at 19 August 2019, 37% of GDF's total debt facilities was hedged (\$60 million¹⁵) until June 2022 at a base rate of 2.68%.

75 In addition to the above, we note that GCL as RE of the Fund has filed a claim under warranties and indemnities given by various parties involved in the construction in 2009 of 572-576 Swan Street, Richmond, with respect to defects in the building. The builder is defending and has joined third parties as defendants. The matter is expected to be listed for trial during the first half of 2020. The Directors of GCL do not have a view on the quantum of any possible recovery or the financial effect of the matter, and consequently no provision has been made in the 30 June 2019 accounts.

Capital structure and ownership

76 GDF has 185.4 million ordinary units on issue, which includes the 4.4 million units issued on settlement of the Acacia Ridge / Archerfield industrial property (settlement occurred on 5 July 2019) and the placement of 22.5 million units (at \$1.40 per unit) to raise capital for the Morningside acquisition.

¹³ Being 1-9 Huntress Road, Berrinba and 498 Progress Road, Wacol.

¹⁴ Being 41 Bivouac Place, Wacol and 70-82 Main Beach Road, Pinkenba.

¹⁵ Being 37% of GDF's total debt facilities of \$162.3 million.

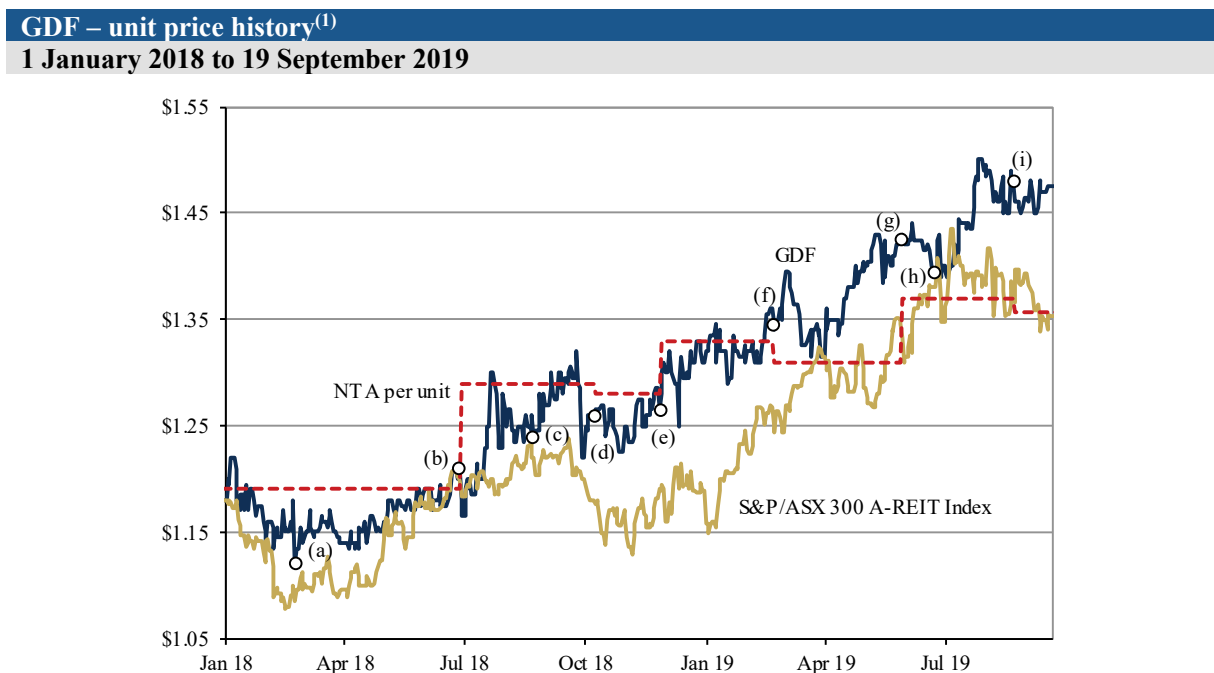
- 77 As at 20 September 2019, there were three substantial unitholders in GDF. The substantial unitholders of GDF were as follows:

GDF – substantial unitholders		
Unitholder	Units held	
	Million	% interest
HGT Investments	27.4	14.8
GCM (via GCT)	21.9	11.8
Longhurst Management Services Pty Ltd	11.7	6.3
Total	61.0	32.9

Source: GDF.

Unit price performance

- 78 The following chart illustrates the movement in the unit price of GDF from 1 January 2018 to 19 September 2019¹⁶:



Note:

1 Based on closing prices. The S&P/ASX 300 A-REIT Index has been rebased to GDF's last traded price on 1 January 2018, being \$1.18.

Source: Bloomberg and LEA analysis.

- 79 From January 2018 through to February 2019, GDF generally traded at a discount to its underlying net tangible assets (NTA) per unit. Since then, GDF has (consistent with many other A-REITs¹⁷) traded at a premium to underlying NTA per unit. Over the observed period, GDF has marginally outperformed the S&P/ASX 300 A-REIT Index. Key market sensitive announcements during the period are as follows:

¹⁶ Being the last trading day prior to the announcement of the Proposal.

¹⁷ Australian listed real estate investment trust (A-REIT).

- (a) **23 February 2018** – released 1H18 results. NTA per unit of \$1.19
- (b) **28 June 2018** – GDF announced that following revised independent valuations the value of its property portfolio increased by \$21.5 million (15.5 cpu) and NTA per unit increased by 10.0 cpu to \$1.29
- (c) **23 August 2018** – released FY18 results. NTA per unit of \$1.29
- (d) **8 October 2018** – GDF announced the successful completion of a \$25 million institutional placement (20 million units at \$1.25 per unit) which represented a 3.1% discount to NTA of \$1.29. Of the \$25 million raised, GCT subscribed for \$4 million (3.2 million units), taking its interest in GDF to 13.8%
- (e) **27 November 2018** – GDF announced that it had reached a settlement with Herron Todd White in respect of an ongoing litigation between the parties. The settlement resulted in GDF receiving an \$8 million cash payment which had a positive impact to NTA of approximately 5.0 cpu
- (f) **20 February 2019** – released 1H19 results. NTA per unit of \$1.31
- (g) **29 May 2019** – GDF announced that following revised independent valuations the value of its existing property portfolio had increased by \$8.6 million and completion of Botanicca 9 had resulted in a valuation uplift of \$8.5 million. As a result, NTA per unit increased from \$1.31 to \$1.37
- (h) **24 June 2019** – GDF announced the sale of 747 Lytton Road, Murarrie for \$17.3 million, representing a 17% premium to the current valuation. GDF also announced the purchase of four industrial assets in Acacia Ridge / Archerfield for \$31.0 million which would be partially funded by a \$6.0 million placement at \$1.36 per unit. NTA per unit upon completion of the divestment and acquisitions was \$1.37
- (i) **22 August 2019** – GDF released FY19 results. NTA per unit of \$1.37 as at 30 June 2019. GDF also stated that NTA per unit was \$1.36 as at 31 July 2019.

Liquidity in GDF units

80 The liquidity in GDF units based on trading over the 12 month period prior to 19 September 2019¹⁸ is set out below:

GDF – liquidity in units						
Period	Start date	End date	No of units traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	20 Aug 19	19 Sep 19	1,013	162,856	0.6	7.5
3 months	20 Jun 19	19 Sep 19	3,939	162,121	2.4	9.7
6 months	20 Mar 19	19 Sep 19	10,436	160,340	6.5	13.0
1 year	20 Sep 18	19 Sep 19	22,840	157,747	14.5	14.5

¹⁸ Being the last trading day prior to the announcement of the Proposal.

Note:

- 1 Weighted average number of securities (WANOS) outstanding during relevant period.
- 2 Number of units traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

Source: Bloomberg and LEA analysis.

- 81 Trading in GDF is relatively modest when compared to other ASX listed office and industrial REITs, and is impacted by the high proportion of units held by the three substantial unitholders which reduces the free float (refer paragraph 77).

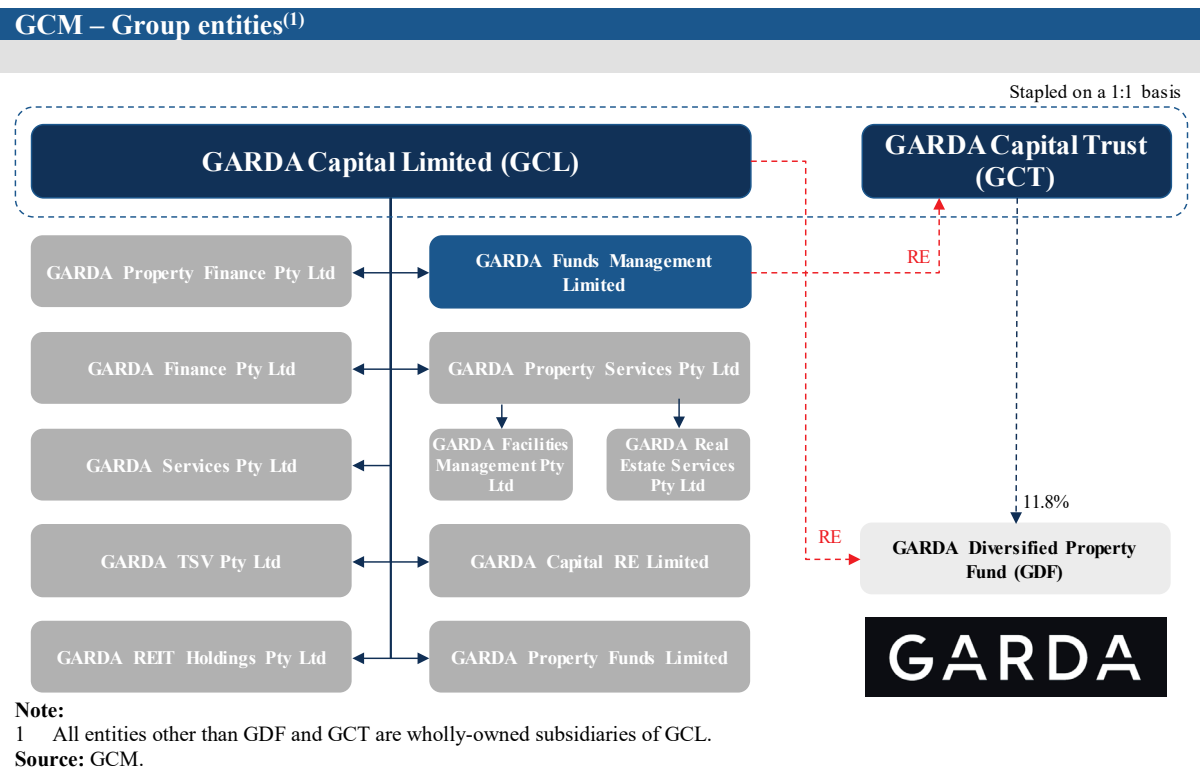
IV Profile of GCM

Overview

- 82 GCM is an integrated real estate business that specialises in funds management, real estate debt advisory and real estate investment. The Group comprises GCL and its subsidiaries, and GCT. GCL is the parent entity of the Group and is also the RE of the ASX listed GDF. GCT is the Group's primary investment vehicle and its main asset is an 11.8% interest in GDF.

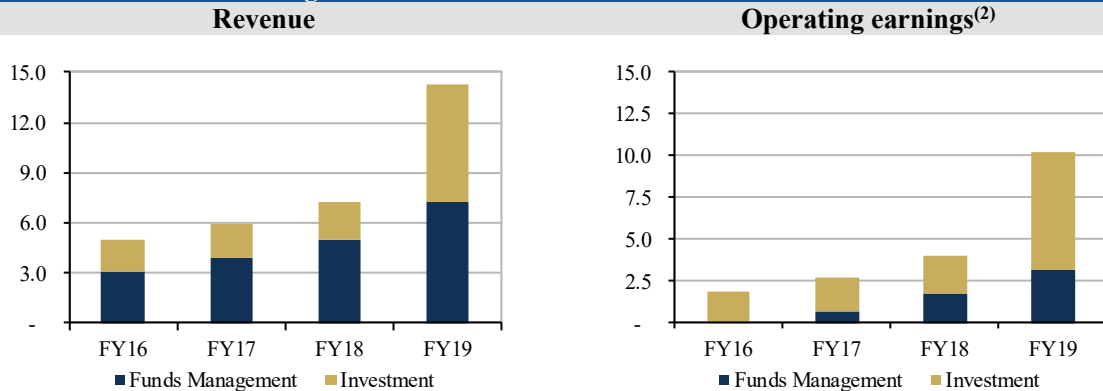
Group structure and operations

- 83 GCM is a stapled entity comprising shares in GCL and units in GCT which have been stapled on a 1:1 basis so that one security cannot be issued, transferred or otherwise dealt with without a corresponding simultaneous issue, transfer or dealing with the other security.
- 84 The entities that form part of the Group are outlined below:



- 85 GCM is comprised of two core operating segments: Funds Management and Investment. The respective contributions of each to GCM's revenue and earnings for the four years to 30 June 2019 are as follows:

GCM – revenue and earnings contributions⁽¹⁾



Note:

- 1 Revenue and operating earnings for each segment include fair value gains / (losses) but no other mark to market, or non-cash items. Investment income and operating earnings comprise GDF distributions received, interest revenue from debt investments and changes in fair values associated with the investment in GDF units and the investment property.
- 2 For the purposes of the operating earnings chart, the small FY16 operating loss incurred by Funds Management (\$15,000) has been treated as \$nil.

Source: GCM FY17, FY18 and FY19 Annual Financial Reports and Presentations and LEA analysis.

Funds Management

86 GCM's Funds Management platform includes the establishment and management of real estate funds, facility management, leasing and project management. It also includes the arrangement of commercial debt for the real estate funds it manages as well as external property investors and developers:

- (a) **funds management** – as set out in paragraph 59, GCL receives a variety of fees for its services to GDF as RE of the Fund. These fees include, inter alia, management fees, capital works fees, property management fees and leasing fees
- (b) **commercial real estate debt advisory** – GARDA Finance Pty Ltd (GF) provides intermediary services to borrowers, and arranges commercial real estate debt for GDF, as well as external investors and property developers, and receives the following fees:
 - (i) structuring and arrangement fees – typically collected upon the settlement of loans
 - (ii) trailing commissions – collected from lenders that GF has origination or brokerage agreements with
 - (iii) ongoing management fees – calculated based on the size of the debt facility for some clients.

Investment

87 Investment includes equity and debt investment in real estate, including co-investment in managed funds. An overview of GCM's investing activities follows:

- (a) **investment in GDF** – GCM (via GCT) currently holds an 11.8% interest in GDF. GCM receives co-investment income by way of distributions from GDF. Further information on GDF (including portfolio assets, financial performance and position, as well as unit price performance) is set out in Section III

- (b) **development land ownership** – GCL, through a wholly-owned unit trust structure, owns a direct 100% interest in an undeveloped 2,023 sqm block of land in Townsville, QLD, which does not currently generate any income¹⁹
- (c) **real estate debt** – GCM invests in property through secured short term (typically six months to two years) debt positions with third parties. Debt investments may generate transaction fee revenue²⁰, as well as interest income.

Financial performance

88 The financial performance of GCM for the four years ended 30 June 2019 is summarised below:

GCM – statement of financial performance ⁽¹⁾				
	FY16 Audited \$m	FY17 Audited \$m	FY18 Audited \$m	FY19 Audited \$m
Funds management revenue ⁽²⁾	3.1	3.9	5.0	7.2
Operating expenses	(3.1)	(3.2)	(3.2)	(4.1)
Operating earnings – Funds Management	(0.0)	0.7	1.8	3.2
GDF distributions	0.9	0.9	1.3	1.9
Interest received from loans	0.3	0.1	0.3	0.2
Interest expense	(1.4)	(0.3)	(0.5)	(0.9)
Underlying profit before tax	(0.2)	1.5	2.8	4.5
Income tax benefit / (expense)	(0.1)	0.4	(0.5)	(0.9)
Underlying profit after tax	(0.3)	1.9	2.3	3.6
Specific mark to market and non-cash items ⁽³⁾	0.4	0.6	0.5	4.8
Reported profit after tax	0.1	2.5	2.8	8.4
<i>Underlying earnings per security⁽⁴⁾ (cents)</i>	nm	8.1	9.6	14.8
<i>Dividends / Distributions per security (cents)</i>	-	3.9	5.0	9.9

Note:

- 1 Rounding differences may exist.
- 2 Funds management revenue includes interest revenue related to cash held by GCM for regulatory capital purposes.
- 3 Specific mark to market and non-cash items comprise:

Fair value gain on units in GDF	0.3	1.0	0.6	4.9
Fair value gain on investment property	0.5	-	0.0	-
Depreciation	(0.0)	(0.0)	(0.0)	(0.0)
Amortisation of procurement rights	(0.1)	(0.1)	(0.1)	(0.1)
Security based payments expense	-	-	(0.0)	(0.0)
Impairment of intangible assets	(0.2)	(0.2)	-	-
Impairment of receivables	(0.0)	-	-	-
Total	0.4	0.6	0.5	4.8
- 4 Based on non-diluted weighted average number of securities.

¹⁹ GCM stated in its 2016 Prospectus that the property may be used for a future high rise residential development, although there was no immediate desire to develop in the near term due to a subdued market. The property will be held for the medium term and GARDA TSV Pty Ltd, a subsidiary of GCL, incurs all statutory charges, land tax and maintenance costs.

²⁰ Investments are sourced through GCM's GF business, which may also generate operational earnings through the structuring and arranging of senior associated debt.

nm – not meaningful.

Source: GCM FY17, FY18 and FY19 Annual Financial Reports.

- 89 A breakdown of GCM's funds management revenue and key metrics for the four years to 30 June 2019 is shown below:

GCM – funds management revenue⁽¹⁾				
	FY16	FY17	FY18	FY19
	Audited	Audited	Audited	Audited
	\$m	\$m	\$m	\$m
RE fee income	1.0 ⁽²⁾	1.2	1.5	2.1
Property management income	0.7	0.6	0.5	0.7
Lease fees	0.2	0.3	0.4	0.4
Capital works fee income	0.1	0.3	0.5	1.9
Facilities management fees	0.2	0.2	0.2	0.2
Recovery of expenses ⁽³⁾	0.2	0.4	0.7	0.7
Procurement and trail fees	0.6	0.5	0.8	0.8
Other revenue ⁽⁴⁾	0.1	0.4	0.3	0.5
Total funds management revenue	3.1	3.9	5.0	7.2
Key metrics:				
Average assets under management (AUM)	144.0	184.0	219.0	310.0
GDF capital expenditure:				
Reinvestment	2.7	6.3	4.8	8.6
New projects	-	-	6.8	34.0
Total GDF capital expenditure:	2.7	6.3	11.5	42.6

Note:

- 1 Rounding differences may exist.
- 2 RE Fee income in FY16 included \$0.082 million from an unlisted fund (which GCM managed) which subsequently went into receivership.
- 3 Also includes Project income which is separately reported to recoveries.
- 4 Other revenue includes real estate commissions (for property sales), underwriting fees in relation to GDF capital raisings and interest.

Source: GCM FY17, FY18 and FY19 Annual Financial Reports and Results Presentations.

- 90 In respect of the above, we note the following:

- (a) the majority of the revenue generated by the Funds Management Platform comes from the collection of RE fees which have significantly increased in accordance with the growth in AUM (i.e. growth in the value of GDF's property portfolio). RE fees are expected to increase again in FY20 as a result of (inter alia) GDF acquiring the Acacia Ridge / Archerfield and Morningside properties
- (b) the contribution from capital works fee income increased substantially from \$0.5 million in FY18 to \$1.9 million in FY19, driven by GDF's \$34.0 million spend on construction of the Botanicca 9 commercial office project during the year. GDF's capital expenditure for FY20 is expected to remain at similar levels to FY19
- (c) procurement and trail fee income represents the income generated by the commercial real estate debt advisory aspect of the business.

- 91 GCM also generates income from its investments, being distributions from GDF and interest received on its real estate debt positions. Total investment income (excluding non-cash fair value gains) has increased each year over the period, primarily due to an increase in distribution income from GDF. This increase has arisen as a result of GCM increasing its interest in GDF (GCM acquired an additional 8.7 million units in GDF in December 2017, taking its interest to a total of 18.7 million units in GDF for both the 3Q18 and 4Q18 distributions). GCM acquired a further 3.2 million units in November 2018, increasing its co-investment in GDF to 21.9 million units for the 2Q19 to 4Q19 distributions)²¹.

Financial position

- 92 The financial position of GCM as at 31 December 2018 and 30 June 2019 is set out below:

GCM – statement of financial position⁽¹⁾		
	31 Dec 18	30 Jun 19
	Reviewed	Audited
	\$m	\$m
Cash and cash equivalents	3.5	3.9
Trade and other receivables	0.7	1.1
Prepayments	0.3	0.1
Distributions receivable	0.5	0.5
Loans to external parties	2.1	2.0
Financial assets (units in GDF)	28.9	30.7
Investment property	1.3	1.3
Trail and procurement rights	0.0	0.0
Goodwill	0.3	0.3
Other assets	0.1	0.1
Total assets	37.5	39.9
Trade and other payables	(1.2)	(1.2)
Borrowings	(12.0)	(12.0)
Current tax liability	(0.5)	(0.9)
Deferred tax liability	(0.1)	(0.0)
Other liabilities	(0.0)	-
Total liabilities	(13.7)	(14.1)
Net assets	23.8	25.8
NTA	23.5	25.5
<i>NAV⁽²⁾ per stapled security (\$)</i>	<i>0.99</i>	<i>1.02</i>
<i>NTA per stapled security (\$)</i>	<i>0.98</i>	<i>1.01</i>
<i>Gearing⁽³⁾ (%)</i>	<i>25.2</i>	<i>22.6</i>

Note:

- 1 Rounding differences may exist.
- 2 Net asset value (NAV).
- 3 Gearing is calculated as total drawn debt (net of cash) divided by total tangible assets (net of cash).

Source: GCM 1H19 Interim Financial Report and FY19 Annual Financial Report.

²¹ We note that GDF's distributions per unit have remained relatively unchanged over the period (GDF increased its distributions of 9.0 cpu in FY16 to 9.4 cpu in FY17 but then reduced the distributions to 9.0 cpu in both FY18 and FY19).

93 In relation to the financial position, we note the following:

- (a) **cash and cash equivalents** – GCM must hold a minimum cash balance to meet the following regulatory capital requirements in its capacity as RE:
 - (i) GCL – minimum cash requirement for acting as RE for GDF is the higher of \$0.2 million or 50% of the NTA requirement which, at 30 June 2019, was \$1.8 million or 0.5% of GDF's AUM
 - (ii) GARDA Funds Management Limited – minimum cash requirement for acting as RE for GCT is the higher of \$0.2 million or 50% of the NTA requirement, which at 30 June 2019 was \$0.2 million, being 0.5% of GCT's AUM
 - (iii) GARDA Capital RE Limited – minimum cash requirement is \$0.2 million as the company does not currently operate any scheme
- (b) **distributions receivable** – comprise accrued distributions for the second and fourth quarters respectively of FY19 that had been declared by GDF but not yet paid
- (c) **loans to external parties** – represents GCM's loans to external parties. The outstanding loans as at 30 June 2019 were as follows:
 - (i) a \$5.7 million facility (inclusive of capitalised fees and interest) advanced to assist with the acquisition and construction of a 32-lot residential subdivision in Brisbane with \$5.5 million outstanding as at 30 June 2019 (GCM's loan balance is \$1.8 million, while external parties have contributed the remaining balance of \$3.7 million). The facility is secured by a first registered mortgage over the development land and a general security agreement over the assets of the development and undertakings of the developer (e.g. sales agreements, deposits paid, etc). The current expiry date of the facility is 30 September 2019 (however, it can be unilaterally extended at the discretion of the lender). Interest on GCM's component of the facility is payable at 12.0% per annum on amounts advanced to 30 June 2019 and 24.0% per annum on the amounts advanced thereafter
 - (ii) a \$1.63 million loan facility (inclusive of capitalised fees and interest) advanced to refinance eight completed residential townhouses in Burpengary, QLD (GCM's loan balance is \$0.3 million, while external parties hold the remaining balance of \$1.3 million). The loan principal is fully drawn and secured by (inter alia) the eight townhouses. The current expiry date of the facility is 15 January 2020. Interest on GCM's component of the facility is payable at 12.0% per annum
- (d) **financial assets** – represents the 21.9 million units held in GDF, the carrying value of which is based upon the quoted closing price of the units on 31 December 2018 and 30 June 2019
- (e) **investment property** – comprises the undeveloped 2,023 sqm block of land in Townsville, QLD, the carrying value of which is based upon an independent property valuation as at 30 May 2019
- (f) **trail and procurement rights** – represent trailing commissions and procurement rights associated with real estate debt arranged by GF. The rights are recorded at cost and amortised on a straight line basis over the expected useful life of the fees, being one to five years

- (g) **goodwill** – represents goodwill arising from the acquisition of GF in September 2014 (formerly Madsen Finance Pty Ltd)
- (h) **borrowings** – GCM has two loan facilities, being:
- (i) **syndicated loan facility** – a \$10.0 million facility advanced by a syndicate of lenders, some of which are related parties to, or substantial securityholders of GCM. Interest is payable at 7.0% per annum and the current expiry date of the loan is 15 December 2020. The loan, which is fully drawn (and was used to acquire additional units in GDF in December 2017) is secured by all property of GCT. There are no financial covenants imposed
 - (ii) **securityholder loan** – a \$2.0 million facility advanced by the major securityholder, M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust. Interest is payable at 8.0% per annum and the current expiry date of the loan is 31 December 2020. The loan is fully drawn and is secured by a registered fixed and floating charge over all the assets of GCM. There are no financial covenants imposed.

Capital structure and ownership

- 94 GCM has 26.4 million stapled securities on issue (including those issued under GCM's ESP, refer below).
- 95 On 13 November 2017, GCM issued 1.2 million securities to GCM's senior executives in accordance with the ESP approved by securityholders at the annual general meeting (AGM). On 3 June 2019, 0.3 million unvested ESP securities were bought back and cancelled by GCM following the resignation of a senior executive prior to the securities vesting date. On 3 June 2019 and 23 August 2019, GCM issued a further 0.3 million and 1.2 million securities to GCM's senior executives respectively in accordance with the ESP approved by securityholders at the AGM.
- 96 The 2.4 million ESP securities on issue are summarised as follows:

GCM – ESP securities on issue					
	13 Nov 17		3 Jun 19	23 Aug 19	
	Tranche One	Tranche Two	Tranche One	Tranche One	Tranche Two
Grant date	13 Nov 17	13 Nov 17	3 Jun 19	23 Aug 19	23 Aug 19
Number of securities granted	150,000	750,000	300,000	800,000	400,000
Expiry / vesting date	13 Nov 19	13 Nov 20	3 Jun 21	23 Aug 21	23 Aug 22
Issue price per security (\$)	1.00	1.00	1.72	1.95	1.95
Limited recourse loan per security (\$)	1.00	1.00	1.72	1.95	1.95

Source: GCM.

- 97 The vesting of securities issued under the ESP occurs over a two or three year period (except in certain circumstances determined by the Board, including in relation to events affecting the ownership and control of GCM), and subject to the participant remaining an employee of GCM. ESP securities rank equally with existing stapled securities in all respects including voting rights, entitlements to participate in distributions, and future rights and bonus issues.

- 98 Participants in the issue of the above securities were provided limited recourse loans on the grant date of an amount equal to the total issue price (GCM only has recourse to the securities issued under the ESP and any funds received from the sale of the securities). The limited recourse loan has a term of eight years and all distributions received from the securities must be used to meet interest payments on the corresponding loan until the loan is repaid.

Substantial securityholders

- 99 As at 20 September 2019, there were three substantial securityholders in GCM. The substantial securityholders of GCM (based upon ASX disclosures) are as follows:

GCM – substantial securityholders ⁽¹⁾		
Securityholder	Securities held	
	Million	% interest
M3SIT Pty Ltd	9.1	34.7
Madsen Nominees Pty Ltd	5.5	20.9
HGT Investments	2.9	10.8
Total	17.6	66.4

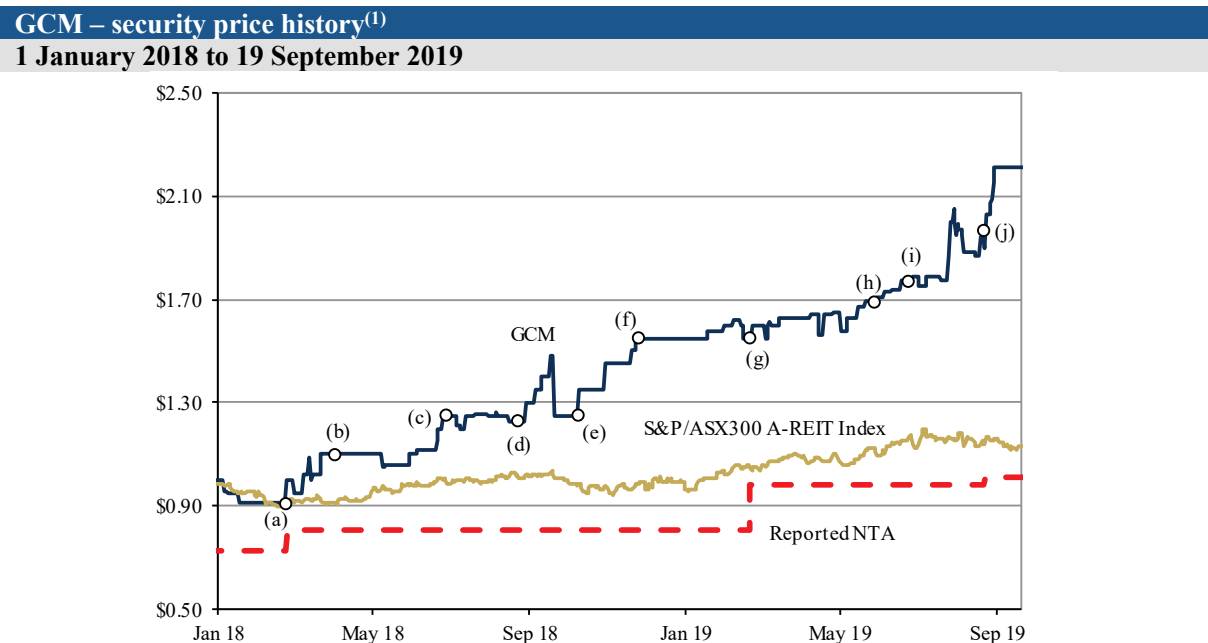
Note:

1 Rounding differences may exist.

Source: GDF.

Security price performance

- 100 The following chart illustrates the movement in the security price of GCM from 1 January 2018 to 19 September 2019²²:



Note:

1 Based on closing prices. The S&P/ASX300 A-REIT Index has been rebased to the GCM's last traded price on 1 January 2018, being \$1.00.

Source: Bloomberg and LEA analysis.

²² Being the last trading day prior to the announcement of the Proposal.

101 Since January 2018, GCM has traded at a premium to its NTA per security and outperformed the S&P/ASX 300 A-REIT index. Key market sensitive announcements during the period are as follows:

- (a) **23 February 2018** – GCM released 1H18 results
- (b) **3 April 2018** – GCM announced AUM would increase to \$305 million following GDF's acquisition of an industrial property for \$9.8 million. GCM also announced that it had received full repayment of \$1.9 million for a debt facility advanced in January 2017 totalling \$1.2 million, representing capitalised interest and fee revenue of approximately \$0.7 million
- (c) **28 June 2018** – GCM announced a \$21.5 million increase in AUM following revised independent property valuations for GDF's property portfolio
- (d) **23 August 2018** – GCM released FY18 results
- (e) **8 October 2018** – GCM announced that GDF had successfully completed a \$25.0 million private placement, resulting in an increase in AUM
- (f) **26 November 2018** – GCM announced that it had been allotted an additional 3.2 million units in GDF for a consideration of \$1.25 per unit, increasing its co-investment to 21.9 million units, or 13.8% of total issued units on issue
- (g) **20 February 2019** – GCM released 1H19 results
- (h) **29 May 2019** – GDF announced that following revised independent valuations the value of its existing property portfolio had increased by \$8.6 million and completion of Botanicca 9 had resulted in a valuation uplift of \$8.5 million
- (i) **24 June 2019** – GDF announced the sale of 747 Lytton Road, Murarrie (carried at \$14.8 million) and acquisition of four industrial assets in Acacia Ridge / Archerfield for \$31.0 million
- (j) **22 August 2019** – GCM released FY19 results.

Liquidity in GCM securities

102 The liquidity in GCM securities based on trading over the 12 month period prior to 19 September 2019²³ is set out below:

GCM – liquidity in securities						
Period	Start date	End date	No of shares traded 000	WANOS outstanding 000	Implied level of liquidity Period ⁽¹⁾ %	Annual ⁽²⁾ %
1 month	20 Aug 19	19 Sep 19	41	26,313	0.2	1.9
3 months	20 Jun 19	19 Sep 19	163	25,803	0.6	2.5
6 months	20 Mar 19	19 Sep 19	278	25,551	1.1	2.2
1 year	20 Sep 18	19 Sep 19	400	25,392	1.6	1.6

²³ Being the last trading day prior to the announcement of the Proposal.

Note:

- 1 Number of securities traded during the period divided by WANOS.
- 2 Implied annualised figure based upon implied level of liquidity for the period.

Source: Bloomberg and LEA analysis.

- 103 GCM securities are relatively illiquid, which is reflective of its highly concentrated ownership (as noted at paragraph 99, three substantial securityholders account for a significant proportion of the securities on issue).

V Valuation methodology

Valuation approaches

- 104 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 105 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 106 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 107 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 108 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

Valuation of GCM

- 109 Our assessment of the market value of GCM is based upon a sum-of-the-parts approach whereby the market value of its individual business operations (Funds Management and Investments) is determined on a going-concern basis (using an appropriate valuation methodology) and aggregated with the realisable value of its other assets / (liabilities) and net borrowings.
- 110 We summarise below the valuation methodologies adopted in valuing GCM's key components:

Methods used to value GCM⁽¹⁾

Component	Method applied	Reason
Funds Management Platform	Capitalisation multiples (i.e. EV / AUM, EV ⁽²⁾ / Revenue and EV / EBIT)	<ul style="list-style-type: none"> The business has a demonstrated history of recurring earnings and expected ongoing profitability There is sufficient transaction evidence available to determine an appropriate multiple
Investment in GDF	Listed market price (with cross-check of premium / discount to NTA and distribution yields against GDF's ASX listed A-REIT peers)	<ul style="list-style-type: none"> Units are reasonably liquid and there is no indication that the low free float is materially impacting the unit price
Investment in property	Net assets (adjusted where necessary)	<ul style="list-style-type: none"> Value relates to the underlying property asset for which a current independent valuation is available (which we have reviewed)⁽¹⁾
Debt investments	Net assets (adjusted where necessary)	<ul style="list-style-type: none"> The value of these debt investments in property projects are supported by the project cash flows and security held by GCM
Other balance sheet assets / (liabilities)	Net assets (adjusted where necessary)	<ul style="list-style-type: none"> Remaining assets / (liabilities) are already reflected on balance sheet but may need to be adjusted to reflect market value

Note:

- It should also be noted that property valuers utilise a number of methodologies in assessing the individual property values including DCF, capitalisation of income and direct comparison (e.g. value per sqm) approaches.
- Enterprise value (EV).

- 111 We have compared our assessed aggregate value for GCM (on a per security basis) with the listed market prices of GCM securities on the ASX prior to the announcement of the Proposal and considered the reasonableness of the implied premium.

Valuation of consideration offered

- 112 We have estimated the underlying equity value of GPG (on a portfolio basis) by aggregating the:
- (a) assessed standalone value of GDF on a pre-transaction basis
 - (b) value contributed by the acquisition of GCM comprising:
 - (i) the cost savings arising from the acquisition / internalisation of the Funds Management Platform
 - (ii) the value of the other assets and liabilities acquired
 - (c) value of additional synergies (if any) that are expected to arise from the integration of GCM and GDF
 - (d) expected transaction costs (that have not already been incorporated within our underlying standalone valuations of each entity).
- 113 We have divided our assessed value of the equity in GPG by the enlarged number of securities on issue in GPG (on a post transaction basis) to derive an assessed portfolio value of the securities in GPG.
- 114 We have cross-checked the reasonableness of our assessed value of GPG by comparing the key value metrics implied by our adopted valuation range (premium / discount to NTA and distribution yields) against those exhibited by GPG's ASX A-REIT peers. We have also compared our assessed aggregate value for GPG (on a per security basis) with the recent placement price at which GDF raised capital to partially fund the acquisition of Morningside.

VI Valuation of 100% of GCM

Overview

- 115 As stated in Section V, our assessment of the market value of GCM is based upon a sum-of-the-parts approach whereby the market value of its individual business operations (Funds Management and Investments) is determined on a going-concern basis (using an appropriate valuation methodology) and aggregated with the realisable value of its other assets / (liabilities) and net borrowings.
- 116 We have also compared our assessed aggregate value for GCM (on a per security basis) with the listed market prices of GCM securities on the ASX prior to the announcement of the Proposal and considered the reasonableness of the implied premium.

Funds Management Platform

- 117 As noted in Section V, we have assessed the market value of the Funds Management Platform by reference to a number of capitalisation multiples approaches (i.e. EV / AUM, EV / Revenue and EV / EBIT). Under this method, the value of the Funds Management Platform is represented by its AUM, or maintainable revenue / earnings (as the case may be) which we have capitalised at a rate (or multiple) that we consider reflects the risk and growth prospects of the business.

AUM

- 118 As at 30 June 2019, the Funds Management Platform had AUM of approximately \$333 million, which included the GDF construction projects at 1-9 Huntress Street, Berrinba (Berrinba) and 498 Progress Road, Wacol (Wacol) based on existing capital deployed²⁴. Subsequent to 30 June 2019, GDF has acquired the Acacia Ridge / Archerfield properties (\$31 million) and has also entered into an agreement to acquire Morningside (\$41 million), resulting in pro-forma AUM as at 30 June 2019 of \$405 million. However, we note that:
- (a) GDF expects to imminently commence construction on Berrinba (current estimated construction costs are \$6.5 million)
 - (b) a development application has been submitted for the proposed development of Wacol. Although development approval is yet to be received, we understand that there has been no indication that approval will not be forthcoming and be received in October. Including civil works to prepare the site, GDF anticipates deploying \$22.0 million in construction and development throughout FY20 and FY21 (with the majority occurring in FY20)
 - (c) Morningside has development approval for the construction of an additional 5,872 sqm of total gross floor area. Estimated construction costs of \$4.75 million are expected to be incurred in FY20
 - (d) whilst the Acacia Ridge / Archerfield acquisitions provide approximately 26,000 sqm of redevelopment opportunity, redevelopment activities are only at the master planning stage (with preliminary construction cost estimates at \$27.0 million).

²⁴ Also includes \$1.0 million of value accretive additions as at 30 June 2019 at Directors' valuation which were incurred subsequent to the property valuations.

119 Given the above, for the purposes of our valuation we have adopted adjusted AUM of:

Funds Management – adjusted AUM⁽¹⁾	
	\$m
AUM as at 30 June 2019 (refer to paragraph 74(b)) ⁽²⁾	332.8
Acacia Ridge / Archerfield acquisition cost	31.0
Morningside acquisition cost	41.0
Subtotal	404.8
Estimated construction costs at Berrinba	6.5
Estimated construction costs at Wacol	22.0
Estimated construction costs at Morningside	4.7
Estimated construction costs at Acacia Ridge / Archerfield ⁽³⁾	-
Adjusted AUM⁽⁴⁾⁽⁵⁾	438.1

Note:

- 1 Rounding differences may exist.
- 2 Based upon the carrying value of GDF properties only (which includes \$1.0 million of value accretive additions as at 30 June 2019 at Directors' valuation which were incurred subsequent to the property valuations) and excludes other assets held by GDF such as cash (net of that used to fund the Acacia Ridge / Archerfield acquisition) and trade receivables which are relatively immaterial.
- 3 As noted above, the capital expenditure associated with these properties is only at the master planning stage and accordingly we have not included this estimated spend in our AUM.
- 4 We note that a small element of the Adjusted AUM (i.e. construction works) is future dated.
- 5 The regulatory capital required to support this level of AUM approximates \$2.5 million.

Maintainable revenue and earnings

- 120 In order to assess the appropriate level of revenue and EBIT for valuation purposes we have had regard to the historic and forecast results of GCM's Funds Management operations and have discussed the financial performance, operating environment and prospects with GCM management.
- 121 A summary of the earnings generated by the Funds Management Platform for the four reporting periods ended 30 June 2019, together with the forecast for the 12 months ended 30 June 2020, is set out below:

Funds Management – earnings⁽¹⁾					
	FY16	FY17	FY18	FY19	FY20F⁽²⁾
	\$m	\$m	\$m	\$m	\$m
Average AUM for the period	143.5	183.8	219.5	310.0	
Core revenue					
RE fee income	1.0	1.2	1.5	2.1	
Property management income	0.7	0.6	0.5	0.7	
Lease fees	0.2	0.3	0.4	0.4	
Capital works fee – existing assets ⁽³⁾	0.1	0.3	0.2	0.2	
Facilities management fees	0.2	0.2	0.2	0.2	
Recovery of expenses	0.2	0.4	0.7	0.7	
Total core revenue	2.4	3.0	3.5	4.2	
Non-core revenue					
Procurement fees	0.4	0.2	0.5	0.6	
Trail fees	0.3	0.3	0.3	0.3	
Capital works fee – construction projects ⁽³⁾	-	-	0.3	1.7	
Real estate commission	-	0.3	-	0.3	
Sub-underwriting and commitment fees	-	-	0.2	0.1	
Total non-core income	0.6	0.8	1.3	2.9	
Interest on reg. capital and sundry income	0.1	0.1	0.1	0.1	
Total revenue	3.1	3.9	5.0	7.2	8.2
Operating expenses (refer to paragraph 125)	(3.1)	(3.2)	(3.2)	(4.1)	(4.0)
EBITDA	(0.0)	0.7	1.8	3.2	4.2
Depreciation and amortisation (DA)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	(0.1)	0.6	1.7	3.1	4.2
<i>EBIT margin</i>	<i>(3.9%)</i>	<i>14.6%</i>	<i>33.0%</i>	<i>42.8%</i>	<i>51.0%</i>
Note:					
1 Rounding differences may exist.					
2 Based upon unaudited management accounts for the month of July 2019 and forecast financial information for the 11 months to June 2020. Individual forecast line items have not been disclosed as they are considered commercially sensitive.					
3 Capital works fee equal to 5.0% of all capital works undertaken by GDF, as follows:					
Reinvestment into existing assets	2.7	6.3	4.8	8.6	7.5
New building works	-	-	6.8	34.0	40.4
Total GDF capital expenditure:	2.7	6.3	11.5	42.6	47.9

Core revenue

122 In respect of the core revenue, we note that:

- (a) RE fee income has grown over the period above, due to growth in AUM. Based on adjusted AUM as per paragraph 119 and the RE fee rates per paragraph 59, annual RE fee income would approximate \$2.8 million

- (b) property management income (which is broadly equal to 3.0% of gross revenue from each property) decreased from FY16 to FY18 despite the increase in AUM, as GDF sold a tenanted property in June 2017²⁵ and acquired a number of properties which were under construction throughout this period²⁶. Property management fees increased in FY19 as a number of the recently completed construction projects were tenanted throughout the year. Based on adjusted AUM as per paragraph 119 and GDF's pro-forma weighted average portfolio capitalisation rate of 6.68%²⁷ as at 30 June 2019, property management fees would approximate \$1.1 million²⁸
- (c) lease fees are dependent on the lease expiry profile of the Fund and the commission rate payable which is determined by a number of factors (such as the lease term, renewal versus new lease and if an agent has introduced the tenant) which differs year to year
- (d) capital works fees on GDF's existing property assets (being 5.0% of capital works undertaken) has increased in absolute terms due to the growth in AUM but has remained fairly constant as a percentage of AUM (at around 2.0% to 3.0%²⁹).

Non-core revenue

123 In respect of the non-core revenue, we note that:

- (a) whilst procurement fees (from the arrangement of debt on behalf of GDF as well as third parties) have been relatively consistent across the years, it should be noted that the fee income is one-off in nature and also subject to considerable key man risk. Given this, for the purposes of our valuation, we have allowed for an ongoing income stream ranging from \$nil to \$0.7 million (the low end reflects our view that, given the risks, some market participants will not be prepared to attribute any value to this component of the business. The high end of which marginally exceeds the cost of operation, refer to paragraph 126(c) below)
- (b) trail fee income is a limited life asset and, in our view, should not be capitalised in perpetuity (noting that we have separately captured the value of the remaining run-off below, refer to paragraph 141(a))

²⁵ Being 12-14 The Circuit, Eagle Farm.

²⁶ 41 Bivouac Place, Wacol and 70-82 Main Beach Road, Pinkenba (both acquired in FY17) reached practical completion in June 2018 and July 2018 respectively. Botanicca 9 (acquired in FY18) reached practical completion in May 2019.

²⁷ We note that property management fees are calculated based on gross income (i.e. including outgoings). Outgoings generally represent about 20% of gross income. Accordingly, GDF's weighted average portfolio capitalisation rate (on a gross income basis) approximates 8.4%.

²⁸ It should be noted that this implicitly assumes that the existing construction projects (i.e. Berrinba and Wacol) are currently leasable, when in fact, property management fees will not be generated from Berrinba and Wacol until construction works are completed. It also assumes that Botanicca 9 is currently fully leased, which it is not.

²⁹ Based on average AUM for the period.

- (c) GDF has a number of existing assets that provide future development opportunity (these include 436 Elgar Road, Box Hill, 26-30 Grafton Street, Cairns³⁰ and the more recently acquired Acacia Ridge / Archerfield properties³¹). Whilst no development approval exists for any of these sites, given GDF's mandate is not only to acquire but also develop assets, it is reasonable to assume that some level of ongoing capital works fee income will be generated by the Funds Management Platform. For the purposes of this report, we have allowed for a range of \$nil to \$0.75 million (the low end recognising that GDF does not have any committed or near term developments outside those of Berrinba, Wacol and Morningside, while the high end assumes ongoing development activity of approximately \$15.0 million per annum³²). We have separately allowed for the incremental value of the capital works income that will be generated from the existing developments³³ (that is not already reflected in our capitalisation approach, refer to paragraph 141(b))
- (d) real estate commission and sub-underwrite fees are ad-hoc in nature. For the purposes of this report, we have allowed for a range of \$nil to \$0.2 million (the high end broadly representing the average of the last four years).

124 In addition to the above, we note that the Funds Management Platform would be required to hold regulatory capital of some \$2.5 million (based upon the adopted AUM). As GCM has traditionally held this regulatory capital in cash, we have allowed for some \$0.05 million in interest on these funds.

Expenses

125 A summary of the expenses incurred by the Funds Management business for the four reporting periods ended 30 June 2019, together with the forecast for the 12 months ended 30 June 2020, is set out below:

Funds Management – expenses⁽¹⁾					
	FY16	FY17	FY18	FY19	FY20F⁽²⁾
	\$m	\$m	\$m	\$m	\$m
Employee benefits expense	(1.2)	(1.5)	(1.5)	(2.1)	(2.3)
Professional costs	(1.0)	(0.9)	(1.0)	(1.1)	(0.8)
Facilities management costs	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Insurance	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Occupancy costs	(0.2)	(0.3)	(0.3)	(0.3)	(0.2)
Other expenses	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Total direct costs and overheads	(3.1)	(3.2)	(3.2)	(4.1)	(4.0)

³⁰ Which is a block of land attached to GDF's existing 15- level office building (located at 9-19 Lake Street, Cairns). This provides an opportunity for either a residential or, more likely, future commercial development.

³¹ Although GDF also expects to undertake works on the Acacia Ridge / Archerfield properties in the near term, redevelopment activities are only at the master planning stage and are, in our opinion, too early stage to attribute value to.

³² Assumes that one asset is sold each year to fund a new development opportunity (GDF's average property value approximates \$26 million, being \$438 million divided by 17) and that a material proportion of those proceeds will be used to acquire the new property upon which development works will be conducted.

³³ Being Berrinba (\$6.5 million), Wacol (\$22.0 million) and Morningside (\$4.8 million).

Note:

- 1 Rounding differences may exist.
 - 2 Based upon unaudited management accounts for the month of July 2019 and forecast financial information for the 11 months to June 2020.
-

126 In respect of the above, we note that:

- (a) employee benefits expense increased in FY19 primarily due to the new roles created for Chief Operating Officer, head of lending, a non-executive director, administration officer and a new financial accountant. Forecast employee benefits expense in FY20 also include allowance for a new role created for a director of acquisition and projects
- (b) all other operating costs have remained fairly consistent between FY16 and FY20F (and highlights the scalability of the platform)
- (c) as discussed above, our low end revenue estimate does not include an allowance for procurement or trail fee income. Accordingly, we have removed the costs that we understand are associated with the generation of this income
- (d) we understand from our discussions with GCM management that the current cost base is structured with the objective of supporting continued growth in the GDF property portfolio and that in the absence of that objective, the cost base could be reduced. Given that the revenue we have adopted for valuation purposes does not include any (theoretical) contribution from future (or yet to be) acquired assets, we have reduced the cost base accordingly. Based upon discussions with GCM management and our analysis we have allowed for cost savings of between \$0.6 and \$0.7 million
- (e) public company costs associated with GCM being a listed entity are estimated at \$0.1 million³⁴.

127 Depreciation and amortisation largely reflects the (non-cash) amortisation of acquired trail fees and the depreciation incurred by the business is relatively immaterial.

Summary of maintainable revenue and EBIT

128 Based upon the above, we have assessed the maintainable revenue and EBIT for valuation purposes as follows:

³⁴ We note that many of the fund management platform transactions concern privately owned entities which do not incur public company costs.

Funds Management – assessed maintainable revenue and EBIT⁽¹⁾

	Paragraph	Low \$m	High \$m
Total core revenue	122	5.5	5.5
Total non-core revenue	123	-	1.7
Add interest on regulatory capital and sundry income	124	0.1	0.1
Total revenue		5.5	7.2
Expenses	125	(4.0)	(4.0)
Add back costs associated with procurement and trail fee income	126(c)	0.6	-
Add back reduced growth cost savings	126(d)	0.6	0.7
Add back estimated public company cost savings	126(e)	0.1	0.1
EBITDA		2.9	4.0
DA	127	(0.0)	(0.0)
EBIT for valuation purposes		2.8	4.0
Say (based on rounded mid-point)			3.4
<i>Implied EBIT margin⁽²⁾</i>		51.2%	55.5%

Note:

- 1 Rounding differences may exist.
- 2 We note that the implied margin is consistent with available evidence as to the EBIT margins of Australian based property fund management platforms (generally between 40% and 60%).

- 129 We note that the EBIT that we have adopted for valuation purposes is less GCM management's forecast EBIT for FY20F. This is principally due to our EBIT incorporating lower capital works fee income (which we consider appropriate for capitalisation purposes). This is partly offset by marginally higher RE fees (due to our AUM assumption) and lower assumed operating costs (for the reasons set out above).

Capitalisation multiples

- 130 The selection of the appropriate capitalisation multiple is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- | | |
|---|--|
| <ul style="list-style-type: none"> • The stability and quality of earnings • The quality of the management and the likely continuity of management • The nature and size of the business • The spread and financial standing of customers • The financial structure of the company and gearing level • The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors • The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors | <ul style="list-style-type: none"> • The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc • The cyclical nature of the industry • Expected changes in interest rates • The asset backing of the underlying business of the company and the quality of the assets • The extent to which a premium for control is appropriate • Whether the assessment is consistent with historical and prospective earnings |
|---|--|

- 131 We discuss below specific factors taken into consideration when assessing the appropriate capitalisation multiple ranges for the Funds Management Platform.

Trading evidence

- 132 There are a number of ASX listed entities that operate real estate funds / asset management platforms, including the following:

ASX listed operators of funds / asset management platforms	
Entity	AUM / FUM ⁽¹⁾⁽²⁾ A\$m
Goodman Group	46,200
Dexus	31,800
Charter Hall Group (Charter Hall)	30,400
Cromwell Property Group (Cromwell)	11,900
Centuria Capital Group (Centuria)	6,500
APN Property Group (APN)	2,900
Abacus Property Group (Abacus)	1,800
GDI Property Group (GDI)	409

Note:

- 1 AUM or funds under management (FUM), noting that these terms are used interchangeably within this report.
- 2 As reported as at 30 June 2019, except for Centuria which has been adjusted to include the Centuria Metropolitan REIT's capital raising announced on 18 September 2019 and Abacus which is as at 30 June 2018 as no disclosure of AUM / FUM was provided as part of Abacus' FY19 results announcement (it should also be noted that Abacus wound up a number the unlisted funds it managed during FY19).

Source: Company announcements.

- 133 None of the abovementioned entities are purely focused on funds / asset management and generally derive a significant proportion of earnings from investment in real estate (either directly or indirectly). The entities also have significantly more AUM / FUM than GCM's Funds Management Platform and also have a more diversified mix of AUM / FUM³⁵. Accordingly, we do not consider these entities relevant for the purposes of determining the value of GCM's Funds Management Platform³⁶.

Transaction evidence

- 134 Since 2011, there have been a considerable number of transactions involving property / property fund management platforms primarily relating to Australian assets. A list of those transactions which we identified and for which valuation metrics can be derived based upon publicly available information is set out at Appendix D and summarised below:

³⁵ e.g. wholesale, retail and listed and unlisted AUM / FUM.

³⁶ We also note that it is difficult to derive meaningful valuation metrics for the individual funds management platforms as the calculations are dependent upon, inter alia, the entity's level of financial disclosure and allocation of corporate expenses to its business segments (if in fact this information is available). It also requires the adoption of relatively material assumptions in respect of the value attributable to other assets held (e.g. whether the value attributed to property and other investments should be equal to book value).

Transaction evidence – property / property fund management platforms ⁽¹⁾							
	EV A\$m	AUM ⁽²⁾ A\$m	EV / AUM %	EV / EBIT		EBIT / AUM	
				Historic x	Forecast x	Historic %	Forecast %
All evidence⁽³⁾							
Average	216.9	4,497	3.4	5.9	8.7	0.5	0.4
Low	0.3	30	0.6	2.4	2.9	0.1	0.1
High	2,922.8	38,600	7.6	10.2	14.6	0.7	0.8
Transactions involving AUM of less than A\$1.0 billion⁽³⁾							
Average	14.7	522	2.7	5.7	7.1	0.4	0.3
Low	0.3	30	0.6	3.5	3.7	0.1	0.3
High	39.6	850	7.5	10.0	10.5	0.7	0.4

Note:

- 1 Individual evidence for each transaction that is included within the above summary is set out at Appendix D. Appendix D also includes a brief description of each transaction.
- 2 AUM or FUM, noting that these terms are used interchangeably within this report.
- 3 Excluding the Generation Healthcare transaction which is considered an outlier (due to its very high EV / AUM multiple of 13.3% and level of EBIT generated per dollar of AUM of 2.6%).

Source: Company announcements, press commentary, analyst reports and LEA analysis.

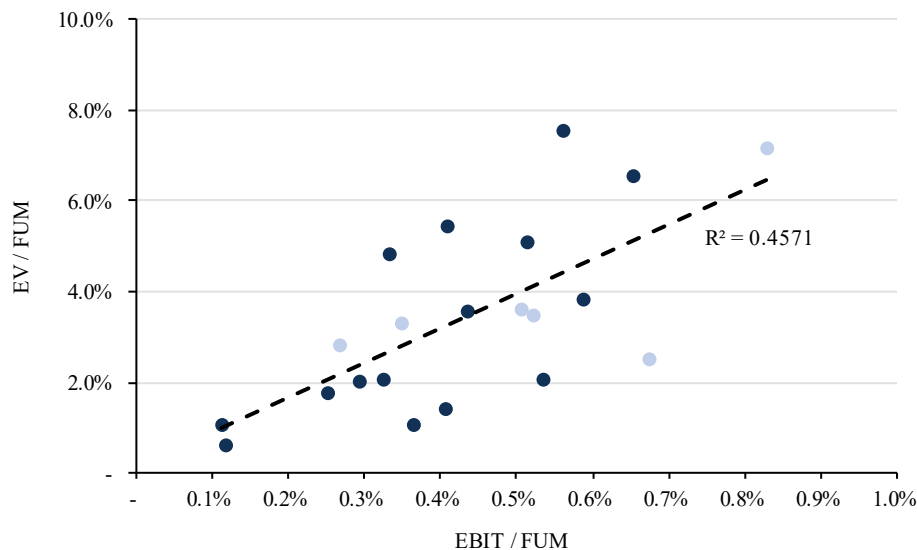
135 In respect of the above, we note that:

- (a) the evidence reflects transactions involving the acquisition of 100% of a business (rather than a minority interest), and the valuation metrics therefore implicitly incorporate a premium for control
- (b) we note that in the Australian property sector there are a number of entities that provide funds management services to both listed and unlisted REITs (e.g. Centuria, Charter Hall, GPT etc.). The potential therefore exists for mergers / acquisitions / business combinations with such entities to realise potentially significant (cost saving) synergy benefits³⁷. These benefits are implicitly reflected in the valuation metrics
- (c) all else equal, higher multiples are typically paid for transactions involving larger funds management platforms due to, inter alia, economies of scale, diversification benefits, depth of management etc. Higher multiples are generally also paid for platforms that have a lower degree of risk (as a result of, for example, relatively diversified AUM, or a high degree of contractual and/or practical “entrenchment”³⁸)
- (d) a key driver of the EV / AUM metric is the earnings generated from the underlying AUM. Management businesses that generate a higher level of sustainable earnings per AUM (i.e. generate higher earnings per dollar of asset managed) generally attract a higher AUM multiple:

³⁷ Due to the relatively high number of industry participants, it is reasonable to expect that a percentage of the value of the synergy benefits arising from a transaction will be shared by the purchaser with the vendor.

³⁸ e.g. a specified long-dated contractual term, or “poison pill” in the management agreement (i.e. contractual “entrenchment”), and/or by the manager having an equity interest in the fund they manage which is sufficient to deter, or block a takeover offer for the fund, or a resolution to remove the manager (i.e. practical “entrenchment”).

EV / AUM and EBIT / AUM multiples⁽¹⁾⁽²⁾⁽³⁾



Note:

- 1 Based upon forecast EBIT and where forecast EBIT is unavailable, historic EBIT.
 - 2 Excludes the Generation Healthcare transaction which is considered an outlier (due to its very high EV / AUM multiple of 13.3% and level of EBIT generated per dollar of AUM of 2.6%).
 - 3 The management internalisation transactions (discussed below) are shaded in light blue.
- Source:** Company announcements, press commentary, analyst reports and LEA analysis.

- (e) the transaction multiples are calculated based on the most recent actual earnings (historic multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target entity's "maintainable" earnings
- (f) multiples (particularly EBIT multiples) have generally increased over time. For example, the transactions which were announced over the last 12 months and for which meaningful EBIT multiples could be derived occurred at 10.0 times (historic), 8.2 times (forecast) and 8.6 times (forecast).

136 A number of the transactions that we identified (and which are included in the summary table above at paragraph 134) related to the internalisation of property / property fund management rights. We consider these transactions to be highly relevant in the determination of the value of the Funds Management Platform. The valuation metrics relating to the management internalisations are summarised in the following table:

Transaction evidence – internalisation transactions (excluding GDI and Centro)⁽¹⁾

Date ⁽²⁾	Internalisation by:	EV ⁽³⁾ A\$m	AUM ⁽⁴⁾ A\$m	EV / AUM %	EV / Revenue ⁽⁵⁾ x	EV / EBIT ⁽⁶⁾ x	EBIT / AUM %
Aug 18	Aventus Retail Property Fund ⁽⁷⁾	143.1	2,000	7.2	4.5 (F)	8.6 (F)	0.8 (F)
Nov 14	Arena REIT ⁽⁸⁾	11.5	411	2.8	3.4 (F)	10.5 (F)	0.3 (F)
Dec 13	CFS Retail Property Trust	460.0	13,900	3.3	2.9 (F)	9.5 (F)	0.3 (F)
Jul 13	Kiwi Income Property Trust	62.4 ⁽⁹⁾	1,809 ⁽⁹⁾	3.5	2.8 (H)	6.6 (H)	0.5 (H)
Average (excluding GDI and Centro)⁽¹⁾		169.3	4,530	4.2	3.4	8.8	0.5

Note:

- 1 Excludes the internalisation evidence relating to GDI Property Group (because as we do not consider the evidence to be reliable as its underlying earnings were highly volatile) and Centro Retail Group (because this transaction was associated with an overall restructure of the entity as a result of financial stress caused by unsustainable debt levels).
- 2 Date of announcement.
- 3 Implied value of an acquisition of 100% if transaction does not already involve an acquisition of 100%.
- 4 AUM or FUM, noting that these terms are used interchangeably within this report.
- 5 In the context of an internalisation this is often referred to a “base fee multiple”, being the ongoing management fees avoided by the fund as a result of the internalisation.
- 6 In the context of an internalisation this is often referred to a “net savings multiple”, being the savings realised by the fund as a result of the internalisation (i.e. fees avoided less costs of operation now incurred internally).
- 7 Based on revenue and EBIT which have been normalised for investment management fee waivers. The revenue and EBIT multiples are 4.7 and 9.3 times (respectively) excluding the normalisation adjustment.
- 8 Transaction includes syndicate consideration for PHC Syndicate and PSH Joint Venture. On the basis that the transaction excludes the syndicate and joint venture, the consideration would be A\$9.5 million, AUM would be A\$378.8 million, EV / AUM would be 2.5% and the revenue and EBIT multiples would be 3.1 and 11.9 times respectively and EBIT / AUM would be 0.2%.
- 9 Translated at an exchange rate of AUD:NZD = 1.1611, being the exchange rate prevailing on the date of announcement.

Source: Company announcements, press commentary, analyst reports and LEA analysis.

137 In respect of the evidence relating to the management internalisations, we note that:

- (a) the average valuation metrics from the internalisation transactions are consistent with the “All evidence” averages (at paragraph 134). However, all of the internalisation transactions (other than that relating to Arena REIT (Arena)) had significantly greater AUM than the Funds Management Platform
- (b) in our view, each of the funds (except the Kiwi Income Property Trust (Kiwi)) were growth orientated and actively involved in the development of new assets:
 - (i) the Aventus Retail Property Fund (Aventus) acquired as well as developed large format retail centres in Australia and its AUM had grown at an compound annual growth rate (CAGR) of some 30% since listing in October 2015 as a result of asset acquisitions, revaluations and developments³⁹
 - (ii) Arena acquired as well as developed childcare centres (and to a much lesser extent medical centres) across Australia, noting that the early learning sector was a growth sector and was still highly fragmented⁴⁰
 - (iii) the CFS Retail Property Trust (CFS) acquired as well as developed regional and sub-regional retail shopping centres
 - (iv) Kiwi invested in retail and office properties in New Zealand⁴¹

³⁹ As at 30 June 2018, 75% of Aventus’ AUM had development potential.

⁴⁰ As at 30 June 2014, 10 of Arena’s 193 childcare centres were development sites.

⁴¹ At the time of the internalisation the portfolio was approximately 65% retail, 32% office and 3% other.

- (c) all the internalised management platforms (other than Kiwi) included third party funds management mandates, noting that these were relatively minor for the Aventus and Arena platforms but more significant for the CFS platform
- (d) in our view, the level of “entrenchment” appears to be greater in each instance, relative to the Funds Management Platform (principally because each were accompanied by what was in effect a “poison pill”):
 - (i) the Aventus rights were for an initial 10-year term (to 2025) and automatically renewed for subsequent five-year terms, but were able to be terminated if (inter alia) there was a change in control event concerning the manager⁴², or the RE was replaced⁴³. In the event the rights were terminated by a new RE, the new RE was required to provide 12 months’ notice, else the incumbent manager was entitled to a termination payment equal to the total fees paid to the manager in the 12 months leading up to termination⁴⁴
 - (ii) the Arena rights had no fixed term but the incumbent manager was the largest securityholder in the fund (with a 13.0% interest) and was also entitled to a disposal and performance fee of up to 2.0% of GAV in the event the fund was merged with another entity
 - (iii) the CFS rights had no fixed term but the manager held a significant interest in the fund (of approximately 10%⁴⁵). It should also be noted though that the associated property management and development agreements had perpetual terms, and the ability to terminate the arrangements was extremely limited
 - (iv) the Kiwi rights had no fixed term but the incumbent manager held a 9.1% interest in the fund. Although unitholders could therefore remove the manager by passing a resolution, if that occurred the manager was entitled to an additional fee (equal to 0.85% of the gross value of the fund). The associated property management agreements were also subject to automatic renewal every five years unless the property manager was in breach of its obligations (i.e. these would not terminate in the event the manager was removed)
- (e) in addition to base fees, each of the managers was also (inter alia) entitled to performance fees (whereas the Funds Management business is not). The Aventus and CFS platforms (like the Funds Management business) also included an entitlement to development fees equal to 5.0% of total development costs

⁴² i.e. the rights could not be sold by the manager to a third party.

⁴³ Noting that this would require the approval of the fund’s securityholders and that the incumbent manager held a 29.4% interest in the fund.

⁴⁴ Termination would also give rise to the possible loss of the management of a particular property (i.e. Kotara North) as a result of termination triggering pre-emptive right clauses in relation to that property. This property was not owned by the fund and the management of it did not contribute materially to the earnings of the manager.

⁴⁵ The independent expert in respect of the transaction also noted that in their view it would be reasonable to assume that the Gandel Group (which was the largest securityholder and held a first right of refusal over certain securities held by the manager) would not vote in favour of any proposal to terminate the manager. The combined securityholding of the manager and the Gandel Group was some 27%.

- (f) the Arena, CFS and Kiwi management platforms all generated significantly less EBIT per dollar of AUM and lower EBIT margins than the Aventus platform (which generated similar metrics to the Funds Management Platform). All else equal, typically the greater the EBIT margin, the greater the EV / Revenue multiple and EV / AUM multiple. For illustrative purposes we have therefore adjusted the EV / AUM multiple and the EV / Revenue multiples for Arena, CFS and Kiwi to estimate their likely multiples had they generated an EBIT / AUM multiple and EBIT margin more consistent with Aventus and the Funds Management Platform⁴⁶:

Illustrative impact of assuming consistent EBIT / AUM multiple and EBIT margin ⁽¹⁾				
	Aventus	Arena	CFS	Kiwi
EV / AUM (%)	7.2	2.8	3.3	3.5
Adjustment factor ⁽²⁾	1.0	3.1	2.4	1.6
Illustrative adjusted EV / AUM (%)	7.2	8.7	7.9	5.5
EV / Revenue (times)	4.5	3.4	2.9	2.8
Adjustment factor ⁽³⁾	1.0	1.6	1.7	1.2
Illustrative adjusted EV / Revenue (times)	4.5	5.4	4.9	3.4

Note:

- 1 Illustrative only because the value paid in any transaction is driven by its own idiosyncratic characteristics and it is not possible to mechanistically adjust the multiples with any degree of precision.
- 2 Being Aventus' EBIT / AUM of 0.8% divided by the EBIT / AUM valuation metric observed for each of the other management rights (e.g. the Arena adjustment factor is calculated by dividing 0.83 by 0.27).
- 3 Being Aventus' EBIT margin of some 52% divided by the EBIT margin observed for each of the other management rights (e.g. the Arena adjustment factor is calculated by dividing 51.9% by 32.4%).

Other factors

138 In order to assess the appropriate range of multiples to apply to the Funds Management Platform we have also had regard to (inter alia):

- (a) **growth in AUM** – the AUM of the Funds Management Platform has grown at a CAGR of some 36% between June 2016 (the date of listing) and June 2019 (based upon the AUM of \$438 million as per paragraph 118)⁴⁷. It has been publicly stated that GDF continues to seek to achieve AUM growth of \$100 million per annum (albeit in our view, such an assumption is inappropriate for valuation purposes given the magnitude of the growth in AUM relative to current AUM, and because the growth has not yet been achieved and is subject to considerable uncertainty and risk⁴⁸)

⁴⁶ Illustrative only because the value paid in any transaction is driven by its own idiosyncratic characteristics and it is not possible to mechanistically adjust the multiples with any degree of precision.

⁴⁷ It should be noted that at the date of listing the Funds Management Platform also managed the Magnum Fund which was in the process of being wound up. The exclusion of the AUM of this fund from CAGR calculation increases the CAGR to 42%.

⁴⁸ We also note that the earnings that we have adopted for valuation purposes has been adjusted to remove the estimated costs associated with achieving this future growth.

- (b) **concentration risk** – the ongoing management of GDF is critical to the value of the Funds Management Platform as it generates very little income from other sources. This is a key point of differentiation to the transaction evidence, which generally relates to platforms that have some degree of diversification. That said, the position is not inconsistent with the evidence pertaining to the management internalisations
- (c) **entrenchment** – the level of “entrenchment” reduces the level of risk (e.g. concentration risk) associated with the management platform and in that regard, we note that:

- (i) **no fixed term** – GCM effectively has indefinite tenure as RE unless it wants to retire or is unilaterally removed by GDF
- (ii) **unilateral termination by GDF** – GCM can be unilaterally removed as RE by GDF and replaced by a new internalised structure, or external RE. The unilateral removal of GCM by GDF would require an ordinary resolution of GDF unitholders (i.e. at least 50% of the votes cast)⁴⁹. While GCM’s 11.8% interest in GDF on its own would not be sufficient to defeat the vote, in our view, it is reasonable to assume that other investors with common holdings in GDF and GCM (e.g. HGT Investments which has a 14.8% interest in GDF and a 10.8% interest in GCM) would also vote against such a proposal because it would result in diminishing the value of their respective interests in GCM. Accordingly, it would require a very significant proportion of the remaining GDF unitholders (i.e. at least 70% and possibly more) to vote in favour of the removal of GCM

We also note that the resolution would first need to be proposed by a disgruntled GDF member, or multiple disgruntled GDF members⁵⁰ and that it would be unusual for this to occur in the absence of there being performance issues with the manager

In addition, we note that the removal of GCM would depend upon GDF’s ability to either internally develop a sufficiently skilled property management team, or secure the services of another provider (to replace GCM). It would also likely result in the loss of the intellectual property currently used in managing GDF⁵¹

- (iii) **wind-up of GDF** – GCM would also cease to be RE in the event GDF was wound up, however, this would require a special resolution of GDF unitholders (i.e. at least 50% of the entire register⁵²). Accordingly, this scenario is subject to similar issues discussed above in respect of the unilateral termination of GCM

⁴⁹ It should be noted that pursuant to the Corporations Act if the scheme is listed (which GDF is), the RE and its associates are entitled to vote their interest on resolutions to remove the RE.

⁵⁰ The member or members would need to hold a combined interest of at least 5% (else it would require a single proposal from a collective group of at least 100 members).

⁵¹ The Corporations Act requires that the incumbent manager pass over only the books relating to the entity and provide “reasonable assistance” to any new manager. Essentially these books comprise accounting records and legal documents (compliance plans, minutes, contracts, constitutional documents etc.). In a hostile situation, the entity could lose access to other intellectual property that would be important to effective management of the business including policies and procedure manuals, templates, financial models and other analytical information.

⁵² By number of securities on issue.

- (iv) **acquisition of 50% to 100% of GDF** – GCM can (individually) block an acquisition of 100% of GDF by way of an on, or off-market takeover. GCM and other investors with common holdings in GCM and GDF (e.g. HGT Investments) can collectively block a proposal to acquire 100% of GDF by way of a trust scheme.

That said, GCM cannot (either individually, or collectively with other investors with common holdings in GCM and GDF, e.g. HGT Investments) prevent a partial takeover of GDF, noting that an acquisition of 50% (and possibly less) would likely be sufficient for an acquirer to remove GCM as RE (via a unilateral termination discussed above)

- (v) **Management Services Agreement** – even in the event GCM ceases to be the RE of GDF, the Management Services Agreement remains on foot and can only be terminated with 90 days' notice
- (d) **restrictions on the transfer of the management rights** – there are no restrictions on GCM's ability to sell the Funds Management Platform to a third party (i.e. GDF cannot prevent the rights being transferred to another party). However, a third party would not be able to acquire more than 20.0% of GDF, without seeking GDF unitholder approval (or making a partial takeover offer for the Fund)
- (e) **key man risk** – Mr Madsen is a key employee of the Funds Management Platform. If Mr Madsen were to become incapacitated, or to leave, it is likely that the current business would be detrimentally affected (even in the event a replacement could be found).

Summary / conclusion on capitalisation multiples

- 139 Having regard to the above, and in particular the high EBIT / AUM percentage and high EBIT margins generated by the Funds Management Platform relative to the evidence⁵³, we have adopted the following multiples for the purposes of this report:

Funds Management – adopted multiples		
Valuation metric	Low	High
EV / AUM (%)	7.0	7.5
EV / Revenue (times)	4.5	5.0
EBIT multiple (times)	9.0	10.0

⁵³ Particularly the internalisation evidence (including the illustrative adjustments at paragraph 137(f), due GCM exhibiting higher EBIT / AUM percentage and higher EBIT margins than the comparative businesses), as we consider those transactions to be of most relevance. That said we note, that the average valuation metrics from the internalisation transactions are consistent with the “All evidence” averages (at paragraph 134).

Adopted value of Funds Management Platform

140 Based on the above, our assessed value of GCM's Funds Management Platform is calculated as follows:

Funds Management – assessed value per capitalisation approaches⁽¹⁾			
	Paragraph	Low \$m	High \$m
<i>EV / AUM multiple approach</i>			
Adjusted AUM	118	438.1	438.1
EV / AUM (%) ⁽²⁾	139	7.0	7.5
Assessed value of Funds Management⁽³⁾		30.7	32.9
<i>EV / Revenue approach</i>			
Revenue for valuation purposes (mid-point)	127	6.4	6.4
Revenue multiple (times)	139	4.5	5.0
Subtotal		28.8	32.0
Adjustment for PV of trail fees and finite capital works	141	1.1	1.1
Assessed value of Funds Management		29.9	33.1
<i>EV / EBIT approach</i>			
EBIT for valuation purposes (mid-point)	127	3.4	3.4
EBIT multiple (times)	139	9.0	10.0
Subtotal		30.6	34.0
Adjustment for PV of trail fees and finite capital works	141	1.1	1.1
Assessed value of Funds Management		31.7	35.1
Average		30.8	33.7
Adopted value		31.0	34.0

Note:

- 1 Rounding differences may exist.
- 2 We have not made a separate adjustment for the present value (PV) of trail fees and finite capital works, because in our view, it is implicitly reflected in the EV / AUM multiple applied.
- 3 We have not made any PV adjustment to account for the small element of AUM which is future dated (i.e. the construction works) as we consider the adjustment to be relatively immaterial.

141 We note that we have adjusted our EV / Revenue and EV / EBIT approaches for the following:

- (a) **trail fees** – as discussed above, trail fee income is a limited life asset as each trail fee is subject to a fixed expiry date (unless renewed, or rolled over). We have valued the estimated trail fee income from 1 December 2019⁵⁴ through to expiry⁵⁵ using the DCF methodology and post-tax discount rates that are consistent with our adopted EBIT multiple ranges. We are unable to disclose the individually estimated trail fees as they are commercially sensitive, but note that GCM expects to generate total income through to expiry of some \$0.2 million (pre-tax). For the purposes of this report, we have assessed the trail fee income at \$0.2 million

⁵⁴ Being a proxy for the estimated implementation date.

⁵⁵ Expiry dates range from January 2020 to September 2021.

- (b) **capital works fees** – GDF expects to engage in near term capital works (on Berrinba, Wacol and Morningside⁵⁶) that exceed the amount that we have assumed in our valuations. Accordingly, we have separately allowed for the incremental value of the capital works income to be generated in the near term. Expected construction costs on these projects amount to \$32.2 million (from 1 December 2019⁵⁷), which will be incurred over 1.5 years (or say \$21.5 million per annum for the next 1.5 years). This compares to the mid-point of our assumed capital works spend of \$7.5 million per annum (refer paragraph 123(c)). We have discounted the incremental capital works fees (5.0% of the incremental capital works), on a post-tax basis using a post-tax discount rate that is consistent with our adopted EBIT multiple range and for the purposes of this report, we have adopted a value of \$0.9 million.

Investment in GDF

- 142 In determining the value of GCM's interest in GDF we have had regard to the recent prices at which the units in the Fund have traded. The market price methodology is often preferred when the securities of an entity are reasonably liquid and the market is well informed because the listed market price typically reflects all publicly available information about that entity's future risks and prospects and therefore provides the best indication as to value.
- 143 In adopting the market price approach, we have considered the following:
- (a) the price at which GDF has historically traded, including the price at which it has traded relative to its reported NTA
 - (b) the distribution yields upon which GDF has historically traded
 - (c) the depth of the market for the units and volatility thereof
 - (d) whether there are trading restrictions and potential information disclosure issues
 - (e) analyst research on GDF
 - (f) the financial implications of acquiring Morningside (including the associated capital raising).
- 144 We have also cross-checked the reasonableness of our assessed value of GDF by comparing the key value metrics implied by our adopted valuation range (premium / discount to NTA and distribution yields) against those exhibited by GDF's ASX listed A-REIT peers.

⁵⁶ Although GDF also expects to undertake works on the Acacia Ridge / Archerfield properties in the near term, redevelopment activities are only at the master planning stage and are, in our opinion, too early stage to attribute value to.

⁵⁷ Being a proxy for the estimated implementation date.

Recent trading and NTA per unit history

145 Historical unit prices for GDF from 1 January 2018 are set out in Section III. More recent trading in GDF units prior to the announcement of the Proposal is shown below:

GDF – unit price history							
Time periods⁽¹⁾	Reported NTA per unit	Unit price⁽²⁾		VWAP	VWAP / NTA⁽³⁾	Units traded	Implied annual liquidity⁽⁴⁾
	\$	Low \$	High \$	\$	%	000	%
22 Aug 19 to 19 Sep 19	1.36	1.44	1.48	1.46	7.9	940	7.7
24 Jun 19 to 21 Aug 19	1.37	1.39	1.55	1.44	5.2	2,659	10.4
29 May 19 to 23 Jun 19	1.37	1.39	1.45	1.42	3.5	1,437	13.6
20 Feb 19 to 28 May 19	1.31	1.30	1.45	1.37	4.4	7,837	18.2
27 Nov 18 to 19 Feb 19	1.33	1.24	1.38	1.31	(1.3)	4,076	11.3
8 Oct 18 to 26 Nov 18	1.28	1.21	1.29	1.26	(1.9)	4,938	24.1
28 Jun 18 to 7 Oct 18	1.29	1.17	1.32	1.26	(2.6)	4,823	12.7

Note:

- 1 Time periods correspond with changes to reported NTA per unit. On 22 August 2019, GDF released its FY19 results (including NTA as at 31 July 2019). On 24 June 2019, GDF announced the sale and acquisition of a number of assets. On 29 May 2019, GDF provided a fund update (which included a significant increase in its portfolio value). On 20 February 2019, GDF announced its 1H19 results. On 27 November 2018, GDF announced that it had settled its litigation with Herron Todd White. On 8 October 2018, GDF announced the completion of a \$25 million institutional placement.
- 2 The trading range during the periods above may be impacted by “accrued” distributions being reflected in the unit price.
- 3 Premium / (discount) of the volume weighted average price (VWAP) during the period relative to reported NTA.
- 4 Number of units traded during the period divided by WANOS. Implied annualised figure based upon calculated implied level of liquidity for the period.

Source: Bloomberg and LEA analysis.

- 146 The traded price of an A-REIT is influenced by (inter alia) reported NTA per security (which reflects the carrying value of its underlying properties which are generally based upon relatively contemporaneous independent property valuations). Earnings and distribution yields (which are discussed below) are also important metrics.
- 147 GDF units have generally traded in a relatively tight band around its reported NTA per unit (which has increased over time as a result of asset revaluations and development profits). Prior to the announcement of its 1H19 results on 20 February 2019, GDF traded at a small discount to its reported NTA (based upon VWAP), but since then, has consistently traded at a premium to NTA (based upon VWAP). The closing price of GDF units on 19 September 2019 was \$1.48 per unit.
- 148 GDF’s most recently reported NTA (of \$1.36 per unit⁵⁸) reflects up to date property valuations but does not reflect the PV of the (potential) profit element associated with its development pipeline (i.e. Berrinba, Wacol and Morningside as well as other assets) or the valuation uplift that may arise from a fully tenanted Botanicca 9 building. That said, the profit element is unlikely to be material relative to its last reported NTA. Theoretically therefore, GDF should trade at a discount to its most recently reported NTA, because that

⁵⁸ As at 31 July 2019.

NTA does not reflect the cost structure associated with being a listed investment vehicle and, in particular, an externally managed structure which includes the payment of a profit element to GCM.

149 Notwithstanding the above, we note that:

- (a) yields on Australian Government Bonds (AGB) (and other international government bonds) have significantly declined as a result of growing concerns about the outlook for the Australian and global economies⁵⁹, along with growing expectations that central banks will have to start easing (or continue to ease) monetary policy (noting that the cash rate in Australia was reduced to a record low of 1.0% as recently as 2 July 2019). Currently, the yields on five and 10-year AGBs sit at, or close to, record lows
- (b) falling bond yields typically drive capitalisation rates lower, a key metric in the property sector which signals rising values⁶⁰. In that context, the market values of the constituents of the S&P/ASX 200 A-REIT Index have increased significantly since November 2018 (an average gain of approximately 18.2% relative to an average gain of some 18.0% in the constituents of the S&P/ASX 200 Industrials Index) and currently trade at a premium to NTA of some 20%⁶¹ (indicating that there may be further revaluation upside not yet reflected in the reported carrying values of the properties held by REITs). We note that each of the selected A-REITs set out at Appendix E are also trading at a premium to reported NTA
- (c) A-REITs have traditionally been considered bond proxies that investors could switch between based on their risk appetite. Falling AGB yields have resulted in investors paying a premium to purchase higher yielding asset classes such as property and infrastructure
- (d) the relative attractiveness of the A-REIT sector (particularly office and industrial focused REITs as opposed to retail focused) has resulted in a large number of A-REITs raising substantial amounts of capital for specific acquisitions, as well as future acquisitions (i.e. the building of “war-chests”) and the retirement of debt. Total capital raised thus far in 2019 (in excess of \$4.5 billion) is the largest year to date amount since the wake of the global financial crisis (GFC) in 2010.

150 Given the above, in our view, whilst GDF should theoretically trade at a discount to its most recently reported NTA, strong sector related factors also exist and these may continue to support trading in GDF at or marginally in excess of its reported NTA.

⁵⁹ Caused by inter alia, increasing trade tensions between the United States of America (US) and China, and the US’ more recently announced proposed tariffs on Mexico.

⁶⁰ Falling yields also drive down the cost of borrowing, noting that A-REITs are generally highly geared vehicles.

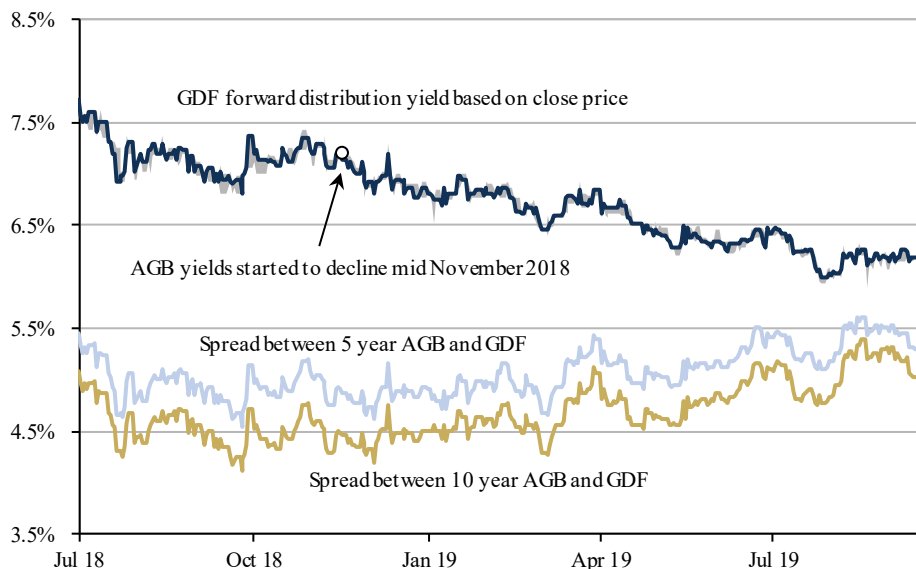
⁶¹ Noting that a number of REITs have funds management platforms and/or material development activities.

Distribution yields

- 151 We set out below the one year forward distribution yields upon which GDF has recently traded (we note that due to the GDF's high payout ratio, its earnings yield is effectively the same):

GDF – one year forward distribution yield⁽¹⁾

1 July 2018 to 19 September 2019



Note:

1 Forward distribution yield line (and spreads to AGB) based upon closing prices with shaded area around GDF distribution line representing the implied yield based upon intra-day high and low prices.

Source: Bloomberg and LEA analysis.

- 152 GDF was generally trading on a one year forward distribution yield of between 6.80% and 7.25% in the period July 2018 to November 2018. As noted above, yields on five and 10-year AGBs have significantly declined since November 2018 and currently sit at, or close to, record lows (these have declined by some 1.4 and 1.6 percentage points over the period respectively).
- 153 Also as noted above, A-REITs are considered bond proxies that investors can switch between based on their risk appetite. Accordingly, the reduction in AGB yields has been a significant contributing factor behind the increase in A-REIT security prices (particularly office and industrial REITs) and corresponding declines in distribution yields. We note that the reduction in GDF's distribution yield (since November 2018) is relatively consistent with the reduction in yields on five and 10-year AGBs (as the spreads between GDF and the AGBs have remained with relatively consistent trading bands, albeit each are presently trading toward the top of their respective range).
- 154 On 22 August 2019, GDF indicated that distributions for FY20 (on a standalone basis) are expected to be \$0.09 per unit (this is consistent with analyst consensus view). Based upon the more recent one year forward trading range (which has generally been between 6.00% and 6.50% and reflects the shift in the yields on AGBs), the implied price range for GDF is between \$1.38 and \$1.50 per unit.

Share trading restrictions and liquidity

- 155 There are no significant restrictions on trading in GDF which would prevent sufficient trading (on a day-to-day basis) to produce an unbiased unit price.
- 156 We note, however, that the volume of units traded in GDF is relatively modest when compared to other ASX listed office and industrial A-REITs, and is impacted by the high proportion of units held by the three substantial unitholders and which reduces the free float. That said (based upon the observed trading ranges set out in the tables above), there is little evidence to suggest that the relatively lower level of liquidity in the units is materially impacting the unit price.

Analyst coverage and information disclosures

- 157 GDF is actively researched and analysed by share broking firms and institutional investors.
- 158 As at 19 September 2019, current forecasts for GDF were provided on Bloomberg from two securities / brokerage firms. The target unit prices⁶² for GDF were as follows:

GDF – analyst target unit prices as at 19 September 2019		
Broker	Date of report	\$ per unit
Broker One	23 August 2019	1.45
Broker Two	23 August 2019	1.45

Source: Bloomberg.

- 159 Significant information in relation to GDF's operations and property portfolio has also been disclosed in its financial reports and ASX announcements. Further, GDF has an obligation under the ASX Listing Rules (subject to certain exemptions) to notify the ASX immediately of any information that it becomes aware of concerning GDF which a reasonable person would expect to have a material effect on the price or value of GDF units.

Financial implications of acquiring Morningside (including the associated capital raising)

- 160 As set out in Section III, the acquisition of Morningside and associated capital raising marginally decreases pro-forma NTA per unit as at 30 June 2019 from \$1.35 per unit (including the Acacia Ridge / Archerfield properties) to \$1.34 per unit. It also slightly decreases GDF's pro-forma LVR and gearing as at 30 June 2019. LVR decreases from 38.1% (including the Acacia Ridge / Archerfield properties) to 37.3%, while gearing decreases from 36.6% (including the Acacia Ridge / Archerfield properties) to 36.0%. The acquisition is not expected to have any impact on GDF's distribution guidance for FY20 of 9.0 cpu, albeit it is likely to marginally reduce the guided payout ratio.
- 161 Given the above, in our view, the Morningside acquisition should not materially impact the traded price of GDF units. In that context, we note that GDF has partially funded the acquisition of Morningside through the placement of 22.5 million units (which represents some 12% of current number of GDF units on issue) at \$1.40 per unit (albeit, it should be noted that investors participating in the placement were also informed of the Proposal and as such, the placement price also implicitly reflects its impact).

⁶² Which are generally 12 month price targets.

Conclusion

162 Based upon the above, for the purposes of this report, we have adopted a value range of between \$1.35 and \$1.45 per GDF unit.

163 Our assessed value of GCM's interest in GDF is therefore as follows:

GDF – assessed value of interest held by GCM⁽¹⁾			
	Paragraph	Low \$m	High \$m
Assessed value per unit (\$)	162	1.35	1.45
Number of units held by GCM (million)	77	21.9	21.9
Assessed value of interest held by GCM⁽²⁾		29.6	31.8

Note:

- 1 Rounding differences may exist.
- 2 GCM's interest in GDF is held by GCT (i.e. a trust) and therefore no capital gains tax is payable in respect of this investment at an entity level.

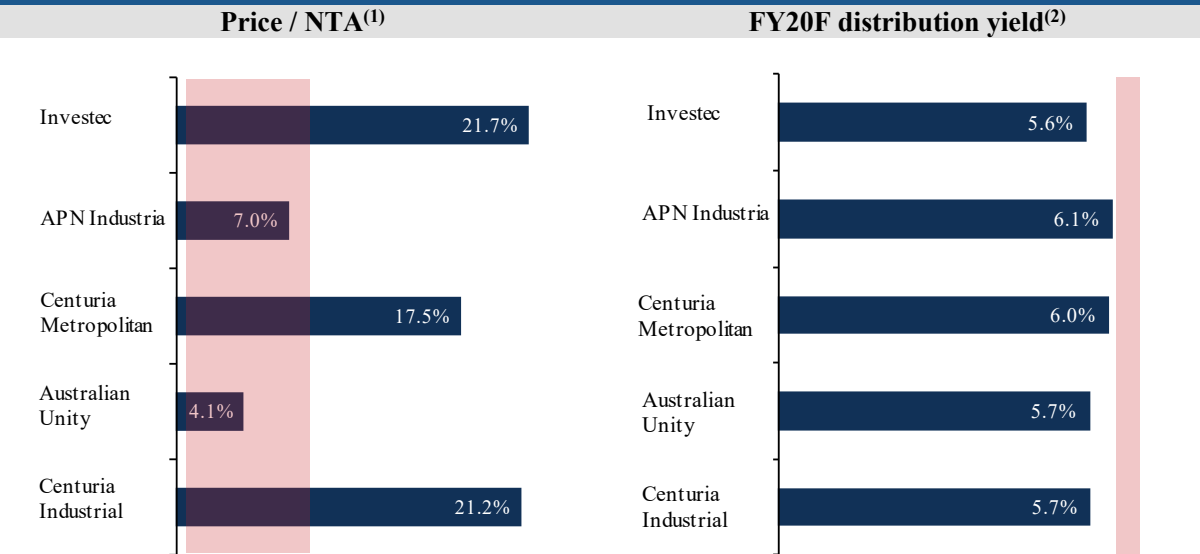
164 We have cross-checked our assessment of the value of GDF units by comparing the key value metrics implied by our valuation (premium / discount to NTA and distribution yields) against those exhibited by GDF's ASX listed A-REIT peers.

165 Based upon our assessed valuation range of \$1.35 to \$1.45 per GDF unit, the implied premium / discount to (pro-forma) NTA as at 30 June 2019 is 0.4% to 7.9% and implied FY20F distribution yield is 6.2% to 6.7% (based upon GDF guidance of 9.0 cpu).

166 There are no A-REITs that are directly comparable to GDF. However, we have set out at Appendix E the trading evidence relating to a number of A-REITs that primarily focus upon investing in office and industrial property assets. We consider Investec Australia Property Fund (Investec), APN Industria REIT (APN Industria), Centuria Metropolitan REIT (Centuria Metropolitan), Australian Unity Office Property Fund (Australian Unity) and Centuria Industrial REIT (Centuria Industrial) to be the most relevant as they are all externally managed and do not have any funds management operations.

167 We have compared the metrics implied by our assessed valuation range to the metrics of the abovementioned A-REITs:

GDF – valuation cross checks



Note:

1 The red shaded range represents the metric ranges implied by our assessed valuation range of GDF.

168 These A-REITs set out above all currently trade at premiums to their last reported NTA. Whilst the metrics implied by our valuation are toward the bottom end of that range, we note that:

- (a) Australian Unity's premium is calculated as at 3 June 2019 (being the last trading day prior to the announcement of the joint takeover offer from Charter Hall and Abacus)
- (b) unlike GDF, none of the "comparable" premiums have been calculated by reference to an NTA that reflects relatively recent independent revaluations of the entire property portfolio (noting that office and industrial property values have appreciated over time as capitalisation rates have moved lower):
 - (i) three of Investec's 28 properties were independently valued as at 31 March 2019 (the remaining 25 were based on Directors' valuations which were not materially different to the last independent valuations undertaken as at 30 September 2018)
 - (ii) nine of Centuria Industrial's 43 properties were independently valued as at 30 June 2019. The remaining properties (approximately 75% of value) were carried at Directors' valuations as at 30 June 2019 which generally appear to be more conservative⁶³
 - (iii) 11 of Centuria Metropolitan's 20 properties were independently valued as at June 2019. The remaining nine properties (approximately 50% of value) were based on Directors' valuations

⁶³ The nine properties which were independently valued in June 2019 reflected an 18.1% increase to the 30 June 2018 carrying values. The average increase in carrying value for the 29 properties (which were held since 30 June 2018) per the Directors' valuations was some 4.5%.

- (iv) 10 of APN Industria's 23 properties were independently valued as at June 2019. The remaining properties (which represent approximately 73% of value) were based on Directors' valuations and do not incorporate any significant increase in value from the last independent valuations (the majority of which were prepared in June 2018 and December 2018).

- 169 The FY20F distribution yields implied by our valuation are consistent with (albeit marginally higher than) the forecast FY20F yields on which the externally managed ASX listed office and industrial A-REITs are currently trading.
- 170 Having regard to the above, we consider our adopted valuation range for GDF (on a per unit basis) to be reasonable and appropriate.

Investment property

- 171 We have assessed the value of the investment property by reference to the independently assessed value as at 30 May 2019.
- 172 The Townsville property is a vacant "development ready" site comprising the amalgamation of four property titles. The site covers 2,023 sqm and has a 40 metre street frontage on Palmer Street, which is located in the inner city precinct's entertainment and accommodation area. Development of up to 12 storeys is permitted in this precinct. The property had previously been excavated to a depth of several metres and subsequently filled. The site is available for immediate development (as the fill has settled), subject to confirmation from a geotechnical engineer. However, no development approval has been granted for the site and there are no immediate plans to develop the site.
- 173 The property has been independently valued by an appropriately qualified (and independent) property valuer as at 30 May 2019⁶⁴ using the direct comparison approach. The independent property valuer concluded that the highest and best use for the site is for mixed use development comprising food-based café / bar style facilities on ground level with short / long term residential accommodation above. The direct comparison valuation methodology primarily analyses historical sales of similar properties (i.e. development sites) to determine rate per sqm of total land and ultimately an appropriate value is determined. The basis of the valuation is market value being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market.
- 174 Based on sales of comparable sites and the rate per sqm derived from the sales data, the independent property valuer adopted a range of \$600 per sqm to \$650 per sqm, arriving at a value of \$1.250 million for the Townsville property.

⁶⁴ In a report dated May 2019.

- 175 However, value is generally considered to fall within a range and the assessment of value is sensitive to the rate per sqm adopted in assessing the value of the property using the direct comparison approach. Accordingly, for the purposes of this report, we have made both positive and negative adjustments of 4.0% to the single point estimate⁶⁵ in order to reflect this potential range of values.
- 176 The independent property valuation does not include an allowance for selling costs. However, based upon discussions with GCM management, we understand that the property is to be held as an investment property for long term capital appreciation. Given this, the PV impact is relatively immaterial and accordingly, we have not included any allowance for sales costs in our valuation assessment.
- 177 Whilst GCM recognises a deferred tax liability on the property of some \$151,000 (for financial reporting purposes), we note that GCM has carry forward capital losses which can be utilised to offset any capital gains tax that may be payable on the property. Accordingly, we have assessed the latent tax liability as \$nil.
- 178 Our assessed value of GCM's interest in the Townsville property is therefore as follows:

GCM – Townsville property assessed value⁽¹⁾			
	Paragraph	Low \$000	High \$000
39 Palmer Street, South Townsville, QLD	174	1,250	1,250
Add / (deduct) valuation tolerance allowance (+4% / -4%)	175	(50)	50
Adopted value range for the Townsville property (pre-tax)		1,200	1,300
PV of deferred tax liability	177	-	-
Adopted value range for the Townsville property (post-tax)		1,200	1,300

Note:

1 Rounding differences may exist.

Debt investments

- 179 As noted in Section IV, GCM invests in property through secured short-term debt positions with third parties. As at 30 June 2019, GCM held two investment loans totalling some \$2.2 million comprised as follows:

GCM – debt investments as at 30 June 2019⁽¹⁾		\$000
Waterford One Loan Advance ⁽²⁾		1,767
Buckley Road Rescue Loan ⁽³⁾		254
Total debt investments		2,021

⁶⁵ We have assessed the quantum of this adjustment having regard to the range of rates per sqm from comparable property sales detailed in the independent valuation report.

Note:

- 1 Rounding differences may exist.
 - 2 Loan funds provided (in conjunction with another debt investor) for a 32-lot residential subdivision in Waterford West, QLD. The construction works on the project are substantially complete, titles have been issued for the lots and 45% of lots are sold (four lots have settled) or have sale contracts held / pending. The term of this loan is to 30 September 2019, however the term can be further extended at the sole discretion of the lender.
 - 3 Loan funds provided (in conjunction with another debt investor) to refinance eight completed residential townhouses in Burpengary, QLD.
-

180 In assessing the value of the debt investments we have had regard to:

- (a) the loan facility agreements and any subsequent amendments thereto
- (b) the feasibility summaries and estimated project cash flows
- (c) the security held by GCM over the loan being principally a mortgage over the respective properties. In this regard we have reviewed the independent property valuations undertaken in conjunction with each loan and any updates thereto such as recent sales prices of the subdivided lots
- (d) the status of the development to which the loan relates including, for example, the status of the registration of lots and the level of pre-sales achieved.

181 Based upon our review, for the purposes of our valuation, we have adopted the carrying values of the debt investments as at 30 June 2019.

Other assets / (liabilities)

182 GCM has a number of other assets / (liabilities) that are not reflected in our abovementioned valuations, or 30 June 2019 net cash / (debt) balance and for which an allowance must be made. The assets and liabilities are as follows and in aggregate amount to a net asset of \$3.3 million:

- (a) **4Q19 GDF and GCM distributions** – as at 30 June 2019 GCM was entitled to but had not yet received GDF's 4Q19 distribution of 2.25 cpu (i.e. an asset of \$0.5 million) and had also declared but not yet paid its own 4Q19 distribution of 1.25 cents per security (i.e. a liability of \$0.3 million)⁶⁶. The net impact of the two is a net asset of \$0.2 million
- (b) **long term investment plan** – GCM has issued 2.4 million securities to senior executives in accordance with its ESP. Recipients were provided limited recourse loans on the grant date of an amount equal to the total issue price (the loans require repayment in full prior to the securities vesting and being transferred⁶⁷). The current balance of the loan receivable by GCM in respect of these securities is \$3.7 million. Consistent with our assumption with respect to securities on issue (refer paragraph 186), we have allowed for the full balance of this loan receivable

⁶⁶ These distributions were paid in August 2019.

⁶⁷ Unless they are cash settled, in which case GCM would pay the recipient the difference between the loan balance and the market value of the securities.

- (c) **transaction costs** – GCM’s unpaid unavoidable transaction costs associated with the Proposal were estimated at \$0.3 million
- (d) **FY19 tax liability** – as at 30 June 2019, GCM had some \$0.9 million in unpaid tax relating to FY19
- (e) **unpaid receivables** – GCM had a number of amounts owing to it from GDF (e.g. sales commission from the sale of 747 Lytton Road, Murarrie). These receivables totalled \$0.7 million as at 30 June 2019
- (f) **capital losses** – we understand that GCM has some \$11 million in capital losses. We have not attributed any value to these losses on the basis that utilisation thereof is subject to significant inherent uncertainty.

Net cash / (debt)

- 183 As at 30 June 2019, GCM had cash of \$3.9 million (of which \$2.5 million would be required as regulatory capital by the Funds Management Platform based upon the AUM assumed for valuation purposes) and interest bearing debt of \$12.2 million (including accrued interest). Given this, we have allowed for \$10.8 million in net debt.

Securities on issue

- 184 GCM has 24.0 million ordinary securities on issue (excluding those issued pursuant to GCM’s ESP).
- 185 GCM also has approximately 2.4 million securities which have been issued to GCM’s senior executives in accordance with GCM’s ESP. While these securities are yet to vest, they will do so as long as the participant remains an employee over the vesting period⁶⁸. We note that all of GCM’s ESP securities are currently “in the money” (based upon their issue prices of \$1.00, \$1.72 and \$1.95 per security). We also note that it has been agreed, as part of the Proposal, that the GCM Board will immediately vest 0.3 million of the GCM ESP securities (albeit these will not be exercised by the executives and will be converted to ESP securities in GPG at the exchange ratio of 1.6). The remaining GCM ESP securities will also convert to ESP securities in GPG and will continue to be subject to the same vesting conditions.
- 186 Given the above, for valuation purposes we have adopted 26.4 million fully diluted securities on issue (noting that we have also allowed for the associated loan receivable, refer to paragraph 182(b)).

⁶⁸ i.e. through to November 2019 in respect of 0.15 million securities, November 2020 in respect of 0.75 million securities, June 2021 in respect of 0.30 million securities, August 2021 in respect of 0.80 million securities and August 2022 in respect of 0.40 million securities.

Valuation summary

187 Given the above, we have assessed the value of 100% of the equity in GCM on a controlling interest basis as follows:

GCM – valuation summary ⁽¹⁾			
	Paragraph	Low \$m	High \$m
Funds Management Platform	140	31.0	34.0
Investment in GDF	163	29.6	31.8
Investment property	178	1.2	1.3
Debt investments	179	2.0	2.0
Other assets / (liabilities)	182	3.3	3.3
Net debt	183	(10.8)	(10.8)
Equity value – controlling interest basis		56.3	61.6
Fully diluted securities on issue ⁽²⁾	186	26.4	26.4
GCM value per security – controlling interest basis (\$)		2.13	2.33

Note:

- 1 Rounding differences may exist.
- 2 Includes 2.4 million securities issued under GCM's ESP.

188 The volume weighted average security prices for GCM from 24 June 2019 (being the last date on which GDF provided a fund update which included a significant increase in its AUM) to 19 September 2019 was \$1.89. We note however, that GCM securities are relatively thinly traded and that the traded values prior to the announcement of the Proposal do not reflect the potential impact of GDF's Morningside acquisition on the value of GCM's Funds Management Platform. Accordingly, the traded values should be treated with some caution.

189 That said, relative to the VWAP, our valuation implies a control premium range of between 13% and 23%. Whilst the premiums implied by our valuation are less than the average premium paid above the listed market price in successful takeovers in Australia⁶⁹, we note that:

- (a) GCM's investment in GDF represents some 45% of our assessed aggregate value range (before debt). GDF is an externally managed ASX listed A-REIT which trades at or around its reported NTA per security. GCM does not hold a controlling interest in GDF (based upon its unitholding alone) and irrespective of this, A-REITs (which generally passively hold a portfolio of properties) are quite different in character to industrial operating companies (upon which the empirical control premium evidence is based) and there is normally little justification for the payment of any material premiums over NTA value (when the A-REIT is not also carrying on other business operations such as property funds management)⁷⁰

⁶⁹ Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover, and after adjusting the pre-bid market price for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover).

⁷⁰ We note that that if a premium were to be paid for GCM's interest in GDF this is likely to be because it also holds the management rights to the Fund. However, any such premium should be reflected in the value of its Funds

- (b) GDF's other investments (i.e. its investment property and debt investments), given their nature should not, in our view, attract any material premium (if any at all)
- (c) given the high number participants in the industry, it is reasonable to expect that GCM's Funds Management Platform would attract a takeover premium. The value of this business represents some 45% of our assessed aggregate value range (before debt).

190 Given the above, it is reasonable to expect that the premium implied by our valuation range is less than the average premium paid in successful takeovers.

Management Platform as opposed to the standalone value of its investment in GDF, consistent with our valuation approach.

VII Valuation of the consideration offered

Approach / methodology

- 191 If the Proposal is approved and implemented, GCM securityholders will receive 1.6 securities in GPG for every stapled security they hold in GCM. Accordingly, the value of the consideration offered represents the value of a minority interest in GPG securities.
- 192 In this section we set out our estimate of the value of the securities in GPG (i.e. the consideration to be received by GCM securityholders). As discussed in Section V, we have estimated the underlying equity value of GPG (on a portfolio basis), by aggregating the:
- (a) assessed standalone value of GDF on a pre-transaction basis (based on the assessed security price in Section VI)
 - (b) value contributed by the acquisition of GCM comprising:
 - (i) the cost savings arising from the acquisition / internalisation of the Funds Management Platform
 - (ii) the value of the other assets and liabilities acquired
 - (c) value of additional synergies (if any) that are expected to arise from the integration of GCM and GDF
 - (d) expected transaction costs (that have not already been incorporated within our underlying standalone valuations of each entity).
- 193 We have divided our assessed value of the equity in GPG by the enlarged number of securities on issue in GPG (on a post transaction basis) to derive an assessed portfolio value of the securities in GPG.
- 194 We have cross-checked our assessed portfolio value of the shares in GPG by:
- (a) comparing the key value metrics implied by our valuation (premium / discount to NTA and distribution yields) against those exhibited by GPG's A-REIT peers
 - (b) reference to the placement price at which GDF raised capital to partially fund the acquisition of Morningside.

Assessed standalone value of GDF on a pre-transaction basis

- 195 We have assessed the standalone value of GDF units on a pre-transaction portfolio basis at between \$1.35 and \$1.45 per security (as per Section VI of this report, commencing at paragraph 142).
- 196 GDF has 185.4 million ordinary units on issue.
- 197 On the basis of the above, we have assessed the standalone value of the equity in GDF on a pre-transaction portfolio basis as follows:

GDF – assessed standalone value pre-transaction⁽¹⁾

	Paragraph	Low \$m	High \$m
Assessed value per unit (\$)	195	1.35	1.45
Number of units on issue (million)	196	185.4	185.4
Assessed value of GDF on a standalone pre-transaction basis		250.2	268.8

Note:

1 Rounding differences may exist.

Net benefit from internalising the Funds Management Platform

Overview

- 198 Should the Proposal be approved and implemented, GDF will no longer have to pay RE (and other) fees to GCM but instead will have to bear the incremental costs associated with operating an internalised management platform, of which staff remuneration represents the majority⁷¹. In other words, the internalisation will result in the elimination of the profit element being paid to GCM for the management of the Fund, the (negative) value of which is theoretically reflected in GDF's pre-transaction standalone value.
- 199 In our view, the value of the net benefit of the internalisation to GDF (i.e. the elimination of the profit element being paid to GCM), is not the same as the market value of the Funds Management Platform in the hands of GCM (as assessed in Section VI of this report).
- 200 This is because, whilst in most instances managers of listed property funds appear to own perpetual fee streams, they are in fact exposed to the risks of:
- (a) being removed from the role by the fund's securityholders (resulting in an internalisation, or the appointment of another manager)
 - (b) the fund being wound-up
 - (c) having the fund they manage taken over (or its underlying assets acquired)
 - (d) over time, being subject to downward pressure on fee structures.
- 201 These risks are appreciated not just by the owners but also the potential acquirers of fund management platforms. Although individually the risks might be judged as remote, collectively, they have an impact on the market value of the management rights (and are implicitly reflected, to varying degrees, in transaction multiples). However, we note that in some instances, the above stated risks are mitigated by the existence of, by way of example, relatively diversified AUM, or a high degree of contractual and / or practical "entrenchment"⁷². High levels of "entrenchment" reduce the discount that would otherwise

⁷¹ The Funds Management Platform does not generate any material earnings from third party sources. Accordingly, the internalisation will not result in GDF generating any material third party earnings.

⁷² e.g. a specified long-dated contractual term, or "poison pill" in the management agreement (i.e. contractual "entrenchment"), and / or by the manager having an equity interest in the fund they manage which is sufficient to deter, or block a takeover offer for the fund, or a resolution to remove the manager (i.e. practical "entrenchment").

apply to the value of that manager's rights (good performance by the manager also acts as a mitigating factor).

- 202 In contrast to the manager, in the absence of being able to internalise its management (or cause a wind-up⁷³), a listed fund is faced with perpetually paying management fees to an external party (albeit it may over time be able to place downward pressure on the fee structure).
- 203 As discussed in Section IV (paragraphs 138(c)(ii) and 138(c)(iii)), GDF's ability to unilaterally terminate GCM and internalise (or wind-up) the Fund is (inter alia) significantly impaired by the equity interests of GCM's and other GCM securityholders' in GDF (e.g. HGT Investments). In summary, a proposal to internalise the management function (or wind-up the Fund) would:
- (a) first need to be proposed by a disgruntled GDF member, or multiple disgruntled GDF members⁷⁴ and it would be unusual for this to occur in the absence of a performance issue (noting that we have been advised by the Independent Directors that they are not aware of any adverse investor feedback). Whilst this may change in the future, it does not necessarily follow that GDF would seek to internalise the management function or wind-up the Fund (e.g. it may renegotiate the fee structure, terminate the manager and appoint another RE)
 - (b) require at least 70% (and possibly more) of GDF unitholders, other than GCM and other investors with common holdings in GCM and GDF (e.g. HGT Investments), to vote in favour of the resolution to remove GCM⁷⁵.
- 204 In addition, we note that an internalisation would also require GDF to internally develop a sufficiently skilled property management team (to replace GCM) and that it would also likely result in the loss of the intellectual property currently used in managing GDF.
- 205 Given the risks and challenges faced by GDF, we consider the likelihood of GDF unitholders being able to remove GCM as RE / manager (in the absence of the Proposal) to be low⁷⁶. Accordingly, for the purposes of assessing the value of the net benefit of the internalisation to GDF, we have assumed that the alternative to an internalisation (or wind-up) is a continuation in perpetuity of the current management fee arrangements.
- 206 Our valuation of the net benefit is based upon a DCF methodology using nominal cash flows over an explicit forecast period and calculates a terminal value (TV) at the end of the forecast period, based on a Gordon Growth Method, to represent the value of the cash flows in perpetuity. In order to arrive at an NPV, the forecast cash flows and TV have been discounted

⁷³ Noting that the voting requirement for a wind-up is higher than an internalisation.

⁷⁴ The member or members would need to hold a combined interest of at least 5% (else it would require a single proposal from a collective group of at least 100 members).

⁷⁵ The proportion of the securityholders (other than GCM and other investors with common interests in both GCM and GDF) that would need to vote in favour of a proposal to wind-up the Fund is even greater again.

⁷⁶ This is not to say though that GCM does not continue to face a risk of loss of the rights to manage GDF (e.g. it continues to face the risk that a person may acquire an interest in GDF that is sufficient to remove GCM and appoint itself as RE).

using a discount rate which we consider reflects the risks associated with the cash flow stream.

Cash flow projections

- 207 Our DCF valuation is based on the detailed free cash flow projections prepared by GCM management for the period 1 December 2019⁷⁷ through to 30 June 2021. The cash flow projections are based upon a “bottom up” approach whereby GCM management has modelled the various revenue streams of the Funds Management Platform based on individual property assets held by GDF, including lease agreements and capital expenditure requirements, etc. Similarly, operating expenses (which primarily relate to employee costs) have also been prepared using a “bottom up” approach.
- 208 LEA has undertaken a detailed review of GCM’s cash flow projections to satisfy itself that they are reasonable and sufficiently reliable for valuation purposes. Our review included (but was not limited to):
- (a) discussions with GCM management regarding the Funds Management Platform’s financial performance, operating environment and prospects as well as the process that underpinned the construction of the financial model
 - (b) detailed analysis and comparison of the projections against the historic performance achieved by GCM. Our analysis was conducted on each discrete revenue stream and in some instances, on a property by property basis. Examples of the types of analysis undertaken include:
 - (i) historic portfolio capital expenditure as a percentage of average and closing property values
 - (ii) forecast gross income per property relative to the historic years and independently assessed market gross income as at 30 June 2019
 - (iii) historic leasing fee income relative to the value of tenantable properties
 - (iv) adjustment of the projections where considered necessary.
- 209 Whilst LEA believes the assumptions underlying the adopted cash flow projections are reasonable and appropriate, it should be noted in respect of these projections that:
- (a) the major assumptions underlying the projections were formatted in the context of current economic, financial and other conditions
 - (b) future profits and cash flows are inherently uncertain
 - (c) the achievability of the projections is not warranted or guaranteed by GCM or LEA, as they are predictions of future events that cannot be assured
 - (d) actual results may be significantly more or less favourable.

⁷⁷ Being a proxy for the estimated implementation date.

- 210 As the detailed cash flow projections are commercially sensitive, they have not been set out in our report. However, we set out below information on the major assumptions underlying the cash flow projections to 30 June 2021:
- (a) free cash flow represents the operating cash flows on an un-g geared basis (i.e. before interest), less capital expenditure and working capital requirements. The free cash flow does not allow for the payment of tax because, as a REIT, most, if not all, of GPG's income will be distributed to securityholders on a pre-tax basis
 - (b) AUM (excluding that relating to Berrinba and Wacol, and capital expenditure on Morningside) is forecast to grow at some 1.7% per annum (growth is forecast to come from value accretive capital expenditure which also gives rise to capital works fee income)
 - (c) property management fees and lease fees have been based on "bottom up" forecasts for individual property assets with regard to contracted lease income, actual lease renewals, exits and new leasing assumptions, and increase relatively linearly from the forecast in FY20 to approximately \$1.2 million in FY21
 - (d) Botanicca 9 is forecast to be tenanted in the second half of FY20 on rental rates consistent with the independent property valuation as at June 2019. The leasing of Botanicca 9 in FY20 results in a minor one-off increase in lease fees (relative to those generated in prior years) and ongoing property management fees (which are reflected in (c) above)
 - (e) development of the Berrinba, Wacol and Morningside projects in FY20 and FY21 (as discussed at paragraphs 118 and 141(b)) will give rise to capital works fee income (construction projects)⁷⁸.
 - (f) facilities management, expense recovery and procurement / trail fee income is broadly consistent with FY19. No sub-underwriting fee or real estate commissions are expected to arise
 - (g) operating costs are expected to remain relatively flat (relative to FY19) and we have allowed for the reduced growth cost and public savings discussed in Section IV, at paragraphs 126(d) and 126(e).
- 211 Earnings for the TV year (i.e. the 12 months ended 30 June 2022) have been calculated using the same methodology and assumptions as those used in deriving maintainable earnings for the purposes of assessing the market value of the Funds Management Platform (refer to Section VI, from paragraph 120). However, it should be noted that as AUM for the TV year is marginally higher than that used in deriving market value (i.e. \$438.1 million), our TV year earnings are marginally higher than the mid-point of the earnings used in deriving market value. For the purposes of our valuation, we have adopted a perpetual growth rate of 1.5 to 2.0% per annum. This growth rate implies real growth (over and above current long-term inflation forecasts⁷⁹) of around 0.2% to 0.7% per annum.

⁷⁸ Although GDF also expects to undertake works on the Acacia Ridge / Archerfield properties in the near term, redevelopment activities are only at the master planning stage and are, in our opinion, too early stage to attribute value to.

⁷⁹ Based upon the difference between long-term AGB yields (which reflect inflationary expectations) and Australian Government indexed bonds yields (which are quoted in real terms excluding inflation).

Discount rate

- 212 The generally accepted formula to calculate the weighted average cost of capital (WACC) is the post-tax WACC as shown below:

WACC formula

$$WACC = R_e \frac{E}{V} + R_d(1 - t) \frac{D}{V}$$

where:

R_e = expected equity investment return or cost of equity in nominal terms

R_d = interest rate on debt (pre-tax)

t = corporate tax rate

E = market value of equity

D = market value of debt

V = market value of debt plus equity

- 213 The generally accepted WACC formula is post-tax comprising:
- (a) the post-tax cost of equity derived from the capital asset pricing model (CAPM)
 - (b) the post-tax cost of debt (assuming that interest repayments on debt are tax deductible).
- 214 However, as GPG is a REIT, most, if not all, of GPG's income will be distributed to securityholders on a pre-tax basis. Accordingly, we have not allowed for the tax shelter on debt in calculating our assessed discount rate.
- 215 The cost of equity is derived from the CAPM, based on the concept of non-diversifiable risk, and is calculated as follows:

Cost of equity calculation

$$R_e = R_f + \beta_e [E(R_m) - R_f]$$

where:

R_e = expected equity investment return or cost of equity in nominal terms

R_f = risk-free rate of return

$E(R_m)$ = expected market return

$E(R_m) - R_f$ = market risk premium (MRP)

β_e = equity beta

- 216 We have adjusted the calculated cost of equity under CAPM to reflect the specific risks associated with the incremental financial benefits to be derived by GPG under the Proposal.

217 The adopted inputs in assessing the discount rate are as follows:

Discount rate inputs		
Input	Adopted	Comment
R_f	3.0%	Reflecting our view of the average long-term risk free rate. This exceeds the yield to maturity currently prevailing on 10- and 20-year AGBs (of approximately 1.06% and 1.46% per annum respectively as at 19 September 2019) as we believe current yields (notwithstanding their long-term nature) remain at unsustainably low levels. This is consistent with market practice when assessing the long term rates of return required by investors.
MRP	6.5%	Reflecting our view on the additional return above the risk-free rate sought by equity investors in the current market conditions. Whilst, prima facie, recent lower interest rates globally have lowered the total equity return required by investors, based on our experience, such investors have not reduced their required rates of return by the full extent of the fall in risk free rates. Accordingly, in our opinion, it is appropriate to adopt a MRP of 6.5% (towards the upper end of the empirical studies) when used in conjunction with our risk free rate of 3.0%
β_e	0.7 – 0.8	Reflecting the range of betas for comparable A-REITs (as detailed in Appendix E)
R_e	7.6% – 8.2%	Cost of equity based on the adopted inputs
<i>Specific risk premium</i>	2.0% to 3.0%	A specific risk premium has been applied to the cost of equity calculated under CAPM to allow for the specific risks associated with the cost savings expected to be derived from the Proposal including (inter alia) concentration risk and implementation risk
R_d	5.5%	Having regard to the terms of GDF's existing debt facilities and the spread between BBB rated Australian corporate bonds and AGBs which we have added to the adopted long-term risk free rate
t	0%	As GDF is a trust (i.e. a pass-through structure), it is not subject to corporate tax. Accordingly, the tax shelter on debt has not been applied
$\frac{E}{V}$	65% – 70%	Based on GDF's target gearing range and the gearing of comparable A-REITs (as detailed in Appendix E)
$\frac{D}{V}$	30% – 35%	

218 Based on the above inputs, we have assessed a WACC in the range of 8.1% to 9.5%.

219 There are a number of inherent limitations in applying the CAPM model to “pass-through” structures such as A-REITs. In particular, whether the appropriate basis of cost of equity adopted should reflect a pre or post-tax rate, whether the adoption of a market based beta and long-term market risk premium appropriately captures the value impacts of the tax treatment of cash flows to investors, which may consist of components such as capital gains and tax deferred distributions.

- 220 As a result of these potential limitations, we have also considered the discount rate ranges adopted by experts in the context of other relatively recent internalisations (discussed in Section VI): Arena internalisation 9.0% to 10.0% (pre-tax), CFS internalisation 8.5% to 9.0% (pre-tax) and Kiwi internalisation 7.5% to 9.0% (post-tax).
- 221 Having considered the factors outlined above, and the recent declines in interest rates generally, in our opinion, a WACC in the range of 8.5% to 9.5% is appropriate for the purposes of determining the NPV of the net benefit expected to arise as a result of the internalisation.

Sensitivity analysis

- 222 There are inherent qualifications that apply to cash flow projections on which DCF valuations are based. It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.
- 223 In assessing our valuation range, we have therefore considered the sensitivity of value to changes in the key assumptions, as shown below:

Net Benefits DCF valuation – sensitivity analysis			
Variable	Base Case assumption	Sensitivity	Value range \$m
Discount rate	9.0%	8.5% to 9.5%	43.2 – 49.5
Terminal growth rate	1.75%	1.5% to 2.0%	44.8 – 47.5
AUM – TV year	\$464 million	+ / – \$10 million	45.3 – 46.9
Lease fees – TV year	\$0.3 million	+ / – 20%	45.4 – 46.8
Capex on development projects – TV year	\$7.5 million	\$5.0 to \$10.0 million	44.6 – 47.6
Reduction in RE fees – FY21 onward ⁽¹⁾	-	-0.10% to -0.15% of GAV	37.8 – 40.6

Note:

- 1 The Base Case scenario assumes that the current fee structure continues in perpetuity. This sensitivity reflects the potential for the forecast savings to in fact be lower over time as a result of GDF unitholders (in the absence of the Proposal) placing pressure on RE / management fee rates.

- 224 We have also considered the impact of changes to a number of other assumptions. While we have not set out the results of these other variations (due to their complexity), we note that the resultant range of values are broadly consistent with those set out above.
- 225 It should also be noted that the above stated DCF values do not reflect any minority interest discount. That said, minority interest discounts applied to REITs are generally significantly less than those applied to industrial companies as they are quite different in character. For example, they generally passively hold a portfolio of properties (which are typically less volatile in nature than an operating business) and normally distribute a large proportion (and in some cases 100%) of their earnings.

Conclusion

- 226 Based on the above, and in particular the potential for GDF unitholders to place pressure on management fee rates over the long term (in the absence of the Proposal)⁸⁰, we consider the value of the net benefit to GDF from the internalisation to be between \$36.0 million to \$40.0 million (on a minority interest basis).
- 227 It is important to note that this value is only available to GDF (i.e. represents special value). This is because in the absence of the Proposal, GDF unitholders are faced with the continuation, in perpetuity, of the current management fee arrangements⁸¹. This contrasts with our assessed market value of the rights to manage GDF which cannot be considered perpetual as the holder of the rights (GCM in this instance) faces the risks outlined above at paragraph 200. Accordingly, we consider it reasonable that our assessed value of the net benefit to GDF (of the internalisation) is higher than the market value we have attributed to the Funds Management Platform. That said, we do not consider a substantive difference between the two to be warranted due to the high degree of “entrenchment” that GCM enjoys.

Other assets and liabilities acquired

- 228 In addition to the Funds Management Platform, GCM has a number of other assets and liabilities that will be acquired by GDF pursuant to the Proposal. These assets and liabilities, together with our assessed values are set out below:

GCM – other assets and liabilities acquired by GDF ⁽¹⁾			
	Paragraph	Low \$m	High \$m
Investment in GDF ⁽²⁾	163	-	-
Investment property	178	1.2	1.3
Debt investments	179	2.0	2.0
Other	182	3.3	3.3
Net debt	183	(10.8)	(10.8)
Total other assets and liabilities		(4.2)	(4.1)

Note:

- 1 Rounding differences may exist.
- 2 The value of the 21.9 million GDF units held by GCM is already reflected in the pre-transaction standalone value of GDF value at paragraph 197. To include that value again here would result in double-counting.

⁸⁰ Whilst in our view, GCM is highly “entrenched”, GCM is still unable to prevent a partial takeover of GDF (refer to paragraph 138(c)(iv)). Should this occur, GCM risks the loss of the RE rights. GDF unitholders are therefore not entirely powerless and could agitate for a change in the RE (or for GCM to reduce its fees), noting that a number of other ASX listed office and industrial focused REITs currently incur lower RE fees than those charged by GCM, albeit these REITs are larger than GDF.

⁸¹ As adjusted for the ability of GDF unitholders to place some downward pressure on fees.

Transaction costs

- 229 Total one-off transaction costs associated with the Proposal (e.g. legal and financial advisors, printing, securityholder meetings etc.) are estimated at \$1.8 million (\$0.4 million by GCM and \$1.4 million by GDF). The majority of these costs will have either been paid, or committed, prior to the securityholder meetings, irrespective of whether the Proposal is implemented or not.
- 230 We note that our assessed value of GCM on a 100% controlling interest basis reflects an allowance for its share of these costs (and are included as a component of “other” in the “other assets and liabilities acquired”, refer to paragraph 228). Accordingly, we have allowed here for only GDF’s share of the costs (i.e. \$1.4 million).

Number of securities on issue in GPG

- 231 GCM has 24.0 million ordinary securities on issue. GCM also has approximately 2.4 million securities which have been issued to GCM’s senior executives in accordance with GCM’s ESP. Consistent with our assumption in the assessment of the standalone value of GCM (refer paragraph 186) we have allowed for the dilution associated with the entire 2.4 million ESP securities on issue (noting that we have also allowed for the associated loan receivable, which is included as a component of “other” in the “other assets and liabilities acquired”, refer to paragraph 228). Pursuant to the Proposal, GCM securityholders will receive 1.6 securities in GPG for every stapled security they hold in GCM.
- 232 GDF has 185.4 million ordinary units on issue.
- 233 The acquisition of GCM by GDF will result in GPG owning 21.9 million securities in itself (i.e. “treasury stock”). Whilst we understand that GPG intends to raise capital at a future point in time by selling / issuing these securities to (existing or new) investors, for the purposes of this report (which should assess only the impact of the Proposal), we have assumed a notional cancellation of this equity.
- 234 A summary of the expected number of securities on issue in GPG is set out below:

GPG – securities on issue⁽¹⁾		
	Paragraph	Million
GCM – securities currently on issue	184	24.0
GCM – securities issued pursuant to the GCM ESP	184	2.4
GCM – total		26.4
Multiplied by exchange ratio (times)	3	1.6
GPG securities to be issued		42.3
GDF units on issue (which will be converted to GPG securities)	232	185.4
Assumed notional cancellation of treasury stock	233	(21.9)
GPG – number of securities on issue		205.7

Note:

- 1 Rounding differences may exist.

GPG valuation summary

235 Given the above, we have assessed the value of the securities in GPG on a portfolio basis as follows:

GPG – valuation summary ⁽¹⁾			
	Paragraph	Low \$m	High \$m
Assessed value of GDF on a standalone pre-transaction basis	195	250.2	268.8
Net benefit from internalising the Funds Management Platform	226	36.0	40.0
Other assets / (liabilities) acquired	228	(4.2)	(4.1)
Transaction costs	230	(1.4)	(1.4)
Equity value – minority interest basis		280.6	303.2
Fully diluted securities on issue ⁽²⁾	234	205.7	205.7
GPG value per security – minority interest basis (\$)		1.36	1.47

Note:

- 1 Rounding differences may exist.
- 2 Based upon 185.4 million GDF units currently on issue and 26.4 million GCM securities on issue (including those issued under GCM's ESP). Assumes exchange ratio of 1.6 GPG securities for every GCM security and the notional cancellation of 21.9 million in treasury stock.

236 We have cross-checked our assessment of the realisable value of GPG securities by comparing the key value metrics implied by our valuation (premium / discount to NTA and distribution yields) against those exhibited by GDF's A-REIT peers. We have also compared our assessed aggregate value for GPG (on a per security basis) with the recent placement price at which GDF raised capital to partially fund the acquisition of Morningside.

Cross-check of NTA and distribution yield

237 The pro-forma financial implications for GDF of the acquisition of GCM (including underlying assumptions) are set out in Section 7.5 of the Notice of Meeting and Explanatory Memorandum.

238 We summarise in the following table the pro-forma impact upon the financial position of GDF (i.e. on a post-transaction basis):

GPG – pro-forma financial position⁽¹⁾⁽²⁾

	As at 30 June 2019			
	GDF Pro-forma ⁽³⁾ \$m	GCM Reported \$m	Transaction impact \$m	GPG Pro-forma \$m
Cash and cash equivalents	4.8	3.9	(0.9)	7.8
Trade and other receivables	1.4	3.7	(1.4)	3.7
Investment properties	404.8	1.3	-	406.1
Property, plant and equipment	-	0.3	-	0.3
Financial assets	-	30.7	(30.7)	-
Intangible assets	-	0.3	34.1	34.4
Total assets	411.0	40.1	1.1	452.3
Trade and other payables	4.2	1.2	(0.9)	4.5
Distribution / dividend payable	3.6	-	(0.5)	3.1
Current tax liability	-	0.9	-	0.9
Borrowings	150.9	12.0 ⁽⁵⁾	-	162.9
Other liabilities	3.1	0.2 ⁽⁵⁾	-	3.4
Total liabilities	161.9	14.3	(1.4)	174.8
Net assets	249.2	25.8	2.5	277.5
<i>Securities on issue (m)</i>	<i>185.4</i>			<i>205.7</i>
<i>NAV per security (\$)</i>	<i>1.34</i>			<i>1.35</i>
<i>NTA per security (\$)</i>	<i>1.34</i>			<i>1.18</i>
<i>LVR (borrowings / property value)</i>	<i>37.3</i>			<i>37.3⁽⁴⁾</i>
<i>Gearing⁽⁶⁾</i>	<i>36.0</i>			<i>37.8</i>

Note:

- 1 Rounding differences may exist.
- 2 Refer to Section 7.5 of the Notice of Meeting and Explanatory Memorandum for further details of the impact of the Proposal on the pro-forma financial position of GPG.
- 3 Includes the Acacia Ridge / Archerfield acquisitions (which were acquired on 5 July 2019) and the acquisition of Morningside, which is due to settle on 30 September 2019.
- 4 Whilst GPG assumes GCM's investment property and borrowings, these do not get integrated with GDF's banking facilities and so the LVR on GDF's property portfolio (per its banking covenants) remains unchanged.
- 5 For the purposes of the table, lease liabilities (which are classified as current borrowings under the Accounting Standards) have been categorised as other liabilities.
- 6 Gearing is calculated as total drawn debt (net of cash) divided by total tangible assets (net of cash).

239 Pro-forma NTA for GPG on a post-transaction basis is expected to be some \$1.18 per security. Based upon our assessed valuation range of \$1.36 to \$1.47 per GPG security, the pro-forma premium to NTA is therefore 15% to 25%.

240 There are no A-REITs that are directly comparable to GPG. However, we have set out at Appendix E the trading evidence relating to a number of A-REITs that primarily focus upon investing in office and industrial property assets. We consider Growthpoint Properties Australia Limited (Growthpoint), Abacus, and GDI to be the most relevant as they are

internally managed and have either no, or very minor third party fund / asset management mandates relative to their own property portfolios⁸².

- 241 These A-REITs all currently trade at premiums (of 23.6%, 15.4% and 21.1%% respectively) to their last reported NTA. Whilst the metrics implied by our valuation are at the middle to upper end of that range, we note that, unlike GPG, none of the “comparable” premiums have been calculated by reference to an NTA that reflects a relatively recent revaluation of the entire property portfolio (noting that office and industrial property values have appreciated over time as capitalisation rates have moved lower):
- (a) 31 of Growthpoint’s 62 properties were independently valued as at 30 June 2019. The remaining properties (approximately 50% of value) were carried at Directors’ valuations as at 30 June 2019 which generally appear to be more conservative⁸³
 - (b) Abacus independently revalued 20 of its 31 commercial office properties and 36 of its 70 storage facilities as at 30 June 2019. The remaining properties were carried at Directors’ valuations as at 30 June 2019⁸⁴
 - (c) two of GDI’s four investment properties⁸⁵ were independently valued as at 30 June 2019. The remaining properties (approximately 56% of value) were based on Directors’ valuations.
- 242 We summarise the pro-forma earnings implications for GDF for the year ending 30 June 2019 below:

GPG – pro-forma financial performance⁽¹⁾⁽²⁾				
	FY20F			
	GDF	GCM⁽³⁾	Adjustments	GPG
	\$m	\$m	\$m	\$m
FFO	16.0	3.2	(2.7)	16.5
Expense savings capitalised into assets ⁽⁴⁾	-	-	2.8	2.8
Adjusted FFO	16.0	3.2	(0.1)	19.3
<i>Weighted number of securities on issue (m)</i>	179.6			191.5
<i>Adjusted FFO per security (cents)</i>	8.9			10.1

⁸² We note that fund management platforms of Dexu, Charter Hall, Cromwell and Goodman Group include significant third party fund / asset management mandates relative to their own property portfolios. Dexu and Goodman Group also have a material pipeline of development projects.

⁸³ The 28 properties which were independently valued in June 2019 (which were held since 30 June 2018) reflected a 12.9% increase to the 30 June 2018 carrying values. The average increase in value for the 28 properties (which were held since 30 June 2018) per the Directors’ valuations was some 7.4%.

⁸⁴ Abacus does not separately disclose the carrying value and latest valuation dates for its individual property assets.

⁸⁵ Excludes the property at 38/46 Cavil Avenue, Surfers Paradise which is relatively immaterial.

Note:

- 1 Rounding differences may exist.
- 2 Refer to Section 7.5 of the Notice of Meeting and Explanatory Memorandum for further details of the impact of the Proposal on the pro-forma financial performance of GPG.
- 3 Represents a seven month, not full year contribution to 30 June 2020.
- 4 Certain charges levied (and recognised as revenue) by GCM are capitalised by GDF. Whilst the revenue in GCM is eliminated in the forecast consolidation income statement for GPG, the expense item is not (as it is capitalised). This adjustment accounts for these capitalised items (thus ensuring that the consolidation calculations reflect both elements).

- 243 Based upon the above, the Proposal is expected to be approximately 12.6% earnings accretive for GDF unitholders, principally because GDF no longer has to pay away a profit margin to GCM. That said, GDF has noted that the Proposal will not impact FY20F distributions and has reaffirmed its FY20F distribution guidance of 9.0 cpu. Based upon this guidance, the FY20F distribution yields implied by our assessed valuation range are between 6.1% and 6.6%.
- 244 We note that these yields are not inconsistent with the range of yields on which GDF has more recently traded (i.e. 6.0% and 6.5%, refer paragraph 151).
- 245 The yields are also at the higher end of the range of FY20F distribution yields currently observed for ASX listed office and industrial focused A-REITs (refer Appendix E). In our view, this supports / underpins the low end of our valuation range (i.e. lower adopted values are likely to result in distribution yields that significantly exceed those at which broadly “comparable” REITs trade).
- 246 Having regard to the above, we consider our valuation range to be reasonable and appropriate given current market conditions (with the low end of the range supported by the distribution yield and the high end of the range limited by the size of the implied premium to NTA).

Comparison with placement price

- 247 We note that GDF has partially funded the acquisition of Morningside through the placement of 22.5 million units (which represents some 12% of current number of GDF units on issue or 11% of GPG securities on issue) at \$1.40. We note that the investors participating in the placement were also informed of the Proposal and as such, the placement price implicitly reflects its impact. Given that the placement price lies within our assessed valuation range, we consider it to be supportive of our assessment of the value of 100% of the securities in GPG on a minority interest basis.

Assessed value of the consideration offered

- 248 Based upon the above, we have assessed the value of the consideration offered (on a per GCM security equivalent basis) as follows:

Value of consideration offered per GCM security equivalent basis ⁽¹⁾			
	Paragraph	Low \$	High \$
Assessed value of GPG securities	235	1.36	1.47
Multiplied by exchange ratio (times)	3	1.60	1.60
Assessed value of consideration offered per GCM security		2.18	2.36

VIII Evaluation of the Proposal

Summary of opinion

249 LEA has concluded that the Proposal is fair and reasonable to the Non-Associated GDF Unitholders, in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Assessment of fairness

250 As set out in Section VI, we have assessed the value of 100% of the equity in GCM on a controlling interest basis at between \$2.13 and \$2.33 per security.

251 If the Proposal is approved and is implemented, GCM securityholders will receive 1.6 securities in GPG for every stapled security they hold in GCM. As set out in Section VII, we have assessed the value of the consideration offered (on a minority interest basis) at between \$2.18 and \$2.36 per GCM security.

252 Pursuant to RG 111, the Proposal is “fair” if the value of what is acquired by the entity from the related party is greater than or equal to the value of the consideration offered. This comparison is shown below:

Comparison of the assessed value of GCM relative to the consideration offered⁽¹⁾



Note:

1 The white line positioned at the middle of our valuation range signifies the mid-point.

253 As the consideration offered is scrip (i.e. GPG securities) rather than cash, there is no single definitive estimate of value that can be relied upon for the purposes of assessing “fairness” pursuant to RG 111. Instead, the consideration offered has a range of possible value outcomes (which we have assessed as lying between \$2.18 and \$2.36 per GCM security). As GCM also has a range of possible value outcomes there are numerous different value comparisons that can be made between the value of GCM and the value of the consideration offered (some of which will be “fair” and others “not fair”). Given this, LEA considers it appropriate to assess “fairness” by reference to the degree of overlap that exists between the two valuation ranges, rather than by reference to any single point of comparison.

254 As there is a high degree of overlap of values and our assessed mid-point of the consideration offered lies within (and not in excess of) our assessed range of values for GCM, LEA considers the Proposal to be fair to the Non-Associated GDF Unitholders based upon the guidelines set out in RG 111. Notwithstanding our “fair” conclusion, Non-Associated GDF Unitholders should note there are some points of comparison within our assessed valuation ranges, which in isolation, would result in the Proposal being considered “not fair” (e.g. low with low). The extent to which Non-Associated GDF Unitholders place greater emphasis upon such individual points of comparison, rather than the degree of overlap, depends upon their individual views.

Assessment of reasonableness

255 Pursuant to RG 111, the Proposal is reasonable if it is fair. Consequently, in our opinion, the Proposal is also “reasonable” to the Non-Associated GDF Unitholders.

256 However, irrespective of the regulatory obligation to conclude that the Proposal is reasonable simply because it is fair, we have also considered a range of other factors that we consider relevant in assessing whether the Proposal is reasonable to the Non-Associated GDF Unitholders, including:

- (a) the relevant position of the Non-Associated GDF Unitholders before and after implementation of the Proposal assessed on a consistent basis (i.e. by comparing the portfolio value before implementation with the portfolio value afterwards)
- (b) the impact of the Proposal on the ownership and control of GDF
- (c) the impact of the Proposal on the financial performance and position of GDF
- (d) the implications for GDF unitholders if the Proposal is not approved and implemented
- (e) other qualitative and strategic issues associated with the Proposal and the extent to which, on balance, they may advantage or disadvantage Non-Associated GDF Unitholders.

257 These issues are discussed in detail below.

Value of GDF securities before and after the Proposal

258 We have considered whether the Non-Associated GDF Unitholders are likely to be better off from a value perspective if they approve the Proposal, by comparing the value of GDF securities pre and post the Proposal on a consistent portfolio basis.

259 On this basis, we note that the Proposal is marginally value accretive for the Non-Associated GDF Unitholders:

Relative value of GDF securities before pre and post the Proposal ⁽¹⁾			
	Paragraph	Low \$	High \$
GDF units pre-transaction – portfolio interest	162	1.35	1.45
GPG securities post transaction – portfolio interest	235	1.36	1.47
Increase / (decrease) in in portfolio interest value		0.01	0.02

Note:

1 Rounding differences may exist.

- 260 However, GDF securityholders should note that the listed market price of GDF securities is subject to daily fluctuation. The price at which GPG securities may be sold subsequent to the implementation of the Proposal, may therefore be greater, or less than our assessed value range.
- 261 GDF securityholders should also note that any decision to continue to hold GPG securities beyond the short term is a separate investment decision. As it is not possible to accurately predict future security price movements, any decision to hold GPG securities should be made by securityholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.
- 262 In particular, whilst the distribution yields implied by our assessed value range of GPG securities are broadly consistent with the yields of other broadly comparable A-REITs, as noted above, the NTA per security will fall from \$1.34 (pro-forma 30 June 2019) to around \$1.18 (largely because the Proposal involves the acquisition of management rights which are an intangible asset). Accordingly, in our view, there is a risk that the listed market price of GPG securities will trade at a price that more closely resembles its underlying NTA per security over the medium-to-long term. However, we also consider that, in the absence of the Proposal, there is a risk that GDF units will trade at a discount to NTA (as opposed to the current premium) over the medium-to-long term, due to its external management structure.

Impact upon the ownership and control of GDF

- 263 If the Proposal is approved and implemented, it will have the following pro-forma impact on the voting power and ownership of GDF:

Impact of Proposal on GDF securityholdings⁽¹⁾				
Securityholder	GDF		GPG⁽²⁾	
	Securities held		Securities held	
	million	%	Million	%
HGT Investments	27.4	14.8	32.1	15.6
GCM (via GCT)	21.9	11.8	-	-
M3SIT Pty Ltd	-	-	13.5	6.6
Longhurst Management Services Pty Ltd	11.7	6.3	11.7	5.7
Madsen Nominees Pty Ltd	0.1	0.1	9.0	4.4
Others	124.4	67.0	139.4	67.8
Total	185.4	100.0	205.7	100.0

Note:

1 Rounding differences may exist.

2 On a pro-forma post completion basis, assuming 26.430 million securities in GCM are exchanged for securities in GPG at an exchange ratio of 1.6 times (i.e. the issue of 42.288 million securities in GPG) and the notional cancellation of the 21.900 million securities currently held by GCM (via GCT).

Source: GDF.

- 264 HGT Investments, which is also a substantial securityholder in GCM, will become the single largest securityholder in GPG and is therefore likely to be able to exert some degree of influence over GPG's affairs. That said, HGT Investments will not control GPG, will not be able to veto special resolutions, nor will it be capable of blocking an acquisition of 100% of GPG by way of a scheme of arrangement (it will still be capable of blocking the attempted acquisition of GPG through either an on, or off-market takeover).

265 The removal of GCM's interest in GDF (and dispersion of that concentrated interest amongst GCM's securityholders) arguably marginally increases the likelihood of the receipt of a takeover offer in the future. This is because presently, any third party intending to acquire 100% of GDF:

- (a) by way of an on or off-market takeover, would have to negotiate and agree their proposal with both HGT Investments and GCM (as each can individually block a takeover offer)
- (b) by way of a trust scheme, may have to negotiate and agree its proposal with each of HGT Investments and GCM, as collectively they hold a sufficient voting interest to block a proposal.

266 While GDF's "free float" is unlikely to be materially affected (the interests of the "other" securityholders increase only marginally from 67.0% to 67.8%), as discussed below, the external management model is out of favour with some equity investors due to (inter alia) perceived conflicts of interest, which is evidenced by transaction activity involving management internalisation, particularly since the GFC. Furthermore, some institutional investors, particularly offshore investors, are prohibited from investing in externally managed vehicles. Accordingly, the Proposal may encourage a broader base of investors to invest in GPG which may improve demand and liquidity.

Impact on the financial performance and position of GDF

267 We summarise below the estimated pro-forma impact of the Proposal on GDF's financial performance and position (as per the analysis set out in the Notice of Meeting and Explanatory Memorandum):

GPG – pro-forma financial performance and position ⁽¹⁾⁽²⁾				
	GDF \$m	GCM \$m	Transaction impact \$m	GPG \$m
Financial performance – FY20F⁽³⁾				
Adjusted FFO	16.0	3.2	(0.1)	19.3
Weighted number of securities on issue (m)	179.6			191.5
Adjusted FFO per security (cents)	8.9			10.1
Financial position – 30 Jun 19⁽⁴⁾				
Cash and cash equivalents	4.8	3.9	(0.9)	7.8
Trade and other receivables	1.4	3.7	(1.4)	3.7
Investment properties	404.8	1.3	-	406.1
Property, plant and equipment	-	0.3	-	0.3
Financial assets	-	30.7	(30.7)	-
Intangible assets	-	0.3	34.1	34.4
Total assets	411.0	40.1	1.1	452.3
Trade and other payables	4.2	1.2	(0.9)	4.5
Distribution / dividend payable	3.6	-	(0.5)	3.1
Current tax liability	-	0.9	-	0.9
Borrowings	150.9	12.0 ⁽⁶⁾	-	162.9
Other liabilities	3.1	0.2 ⁽⁶⁾	-	3.4
Total liabilities	161.9	14.3	(1.4)	174.8
Net assets	249.2	25.8	2.5	277.5

GPG – pro-forma financial performance and position⁽¹⁾⁽²⁾

	GDF \$m	GCM \$m	Transaction impact \$m	GPG \$m
<i>Securities on issue (m)</i>	185.4			205.7
<i>NAV per security (\$)</i>	1.34			1.35
<i>NTA per security (\$)</i>	1.34			1.18
<i>LVR (borrowings / property value)</i>	37.3			37.3 ⁽⁵⁾
<i>Gearing⁽⁷⁾</i>	36.0			37.8

Note:

- 1 Rounding differences may exist.
- 2 Refer to Section 7.5 of the Notice of Meeting and Explanatory Memorandum for further details of the impact of the Proposal on the pro-forma financial performance and position of GPG.
- 3 GCM contribution represents a seven month, not full year contribution to 30 June 2020.
- 4 GDF's financial position as at 30 June 2019 represents its pro-forma position as at that date and includes the Acacia Ridge / Archerfield acquisitions (which were acquired on 5 July 2019) and the acquisition of Morningside, which is due to settle on 30 September 2019.
- 5 Whilst GPG assumes GCM's investment property and borrowings, these do not get integrated with GDF's banking facilities and so the LVR on GDF's property portfolio (per its banking covenants) remains unchanged.
- 6 For the purposes of the table, lease liabilities (which are classified as current borrowings under the Accounting Standards) have been categorised as other liabilities.
- 7 Gearing is calculated as total drawn debt (net of cash) divided by total tangible assets (net of cash).

268 In respect of the above, we note that:

- (a) the Proposal is expected to result in increased distributable earnings (i.e. Adjusted FFO) as the costs associated with the proposed internalised operating model are expected to be less than the existing management fee structure (due principally to GDF no longer having to pay away a profit margin. GDF will also benefit from some additional income received from third party sources⁸⁶, albeit this is relatively immaterial)
- (b) NTA per security will decrease (by approximately 12%), largely because the Proposal involves the acquisition of management rights which are an intangible asset. We note however that the NTA of GDF on a standalone basis never recognised the capitalised cost of the externalised management structure (as there was no legal or accounting requirement to do so) and if it had, the Proposal would have very little impact on NTA per security. In that regard, we note that NAV per security remains relatively unchanged
- (c) whilst GDF will assume responsibility for GCM's investment property and net debt, these do not get integrated with GDF's banking facilities and so GDF's LVR (per its banking covenants) remains unchanged at 37.3%, albeit this still exceeds the Fund's target range of 30% to 35%. GPG's gearing however, increases from 36.0% to 37.8%⁸⁷ which is also at the higher end of the observed gearing ratios of the ASX listed office and industrial focussed A-REITs set out at Appendix E. That said, management have advised that GPG remains well within its banking covenants (on a pro-forma basis).

⁸⁶ For example, trail and procurement fees and interest on loan receivables.

⁸⁷ Calculated as total borrowings less cash divided by total tangible assets less cash.

Further, GPG has stated that it intends to sell its 'treasury stock' in the medium term following the Proposal, the proceeds of which would materially reduce gearing.

269 In addition to the above, if the Proposal is approved and implemented, GDF will move from a variable to essentially a fixed cost operational structure. This change in cost structure should result in the incremental costs associated with the future acquisition of properties being lower than that which would otherwise be incurred under an externalised (and variable cost) management structure. Accordingly, relative to the status quo, GDF's earnings growth profile is likely to improve over the medium-to-long term⁸⁸. However, it should be noted that the shift to cost structure changes the risk profile of the Fund and there is a risk that ongoing operating costs are not controlled and the benefits of internalisation are eroded (in part, or in whole) over time.

Enhanced accountability and alignment of interests

270 The Proposal should result in an improved corporate governance and accountability framework. At present, GDF unitholders have no direct influence over the selection of the Directors of GCL (the RE of GDF), or any rights regarding their appointment. Furthermore, the personnel that manage GDF (i.e. the personnel of the RE) are employees of GCM, meaning that they are accountable to both GDF and GCM securityholders.

271 If the Proposal is approved and implemented:

- (a) GPG will have a dedicated board and management team that can focus on the governance, strategy and management of GPG only (i.e. they will be directly accountable to GPG securityholders only)
- (b) GPG securityholders will have direct input into the appointment, election and removal of the members of the board of its manager as well as being able to vote on the remuneration structure thereof (including key management)
- (c) GPG will have the opportunity to establish an employee incentive plan, which is directly aligned to the financial and security price performance of GPG (it is generally acknowledged that appropriately structured management incentive schemes that are aligned with business performance over the long run can maximise the benefit for securityholders).

272 We also note that the internalisation is consistent with the general shift that has occurred in the infrastructure and property sectors, particularly since the GFC, which has resulted in a considerable number of entities internalising their management in order to overcome perceived conflicts as well as enhance the alignment of interests between boards, management and investors.

⁸⁸ This improved growth profile may also be further enhanced via the management of an additional external fund, or portfolio of external funds.

Continuity of senior management

273 GDF has advised that the Proposal will have little to no impact on GCM's Board or senior management team (i.e. key personnel will be retained and transfer over to the new structure)⁸⁹. The existing management team have a proven track record in the governance and day-to-day management of GDF. This efficient transition to an internalised management structure is expected to provide short-term benefits which are unlikely to be present in alternate proposals.

Improvement in strategic options

274 The currently externally managed structure may be restricting GDF's ability to pursue and successfully implement value enhancing transactions such as scrip based property acquisitions as some vendors may be unwilling to accept scrip in an externally managed vehicle.

275 The external management structure also complicates potential mergers with other REITs because of the need to deal with the management contracts. Similarly, GDF's attractiveness as a potential takeover target may also be diminished by its current externally managed structure and current levels of concentration in ownership. Consequently, an internalised management structure and the removal of GCM's interest in GDF (and dispersion of that concentrated interest amongst GCM's securityholders) may enhance GPG's attractiveness as a takeover target.

276 In addition to the above, the addition of a management platform will also provide GDF with the opportunity to pursue the acquisition of an additional portfolio of externally managed funds and further enhance (as well as diversify) the medium-to-long term earnings growth profile of the Fund.

Implications of the Proposal not proceeding

277 In the event the Proposal does not proceed:

- (a) GCM will continue to manage GDF and act as RE (via GCL) under the current arrangement. Accordingly, GDF will continue to pay RE and other fees to GCM (e.g. property management fees, capital works fees etc) in return for services pertaining to the management of the Fund and its underlying property assets
- (b) the advantages (and to a lesser extent, disadvantages) of the Proposal (as summarised below) will be forgone
- (c) GDF will incur unavoidable transaction costs associated with the Proposal of some \$0.9 million (without GDF unitholders obtaining any corresponding benefit).

⁸⁹ Most management personnel have employment contracts in place. We understand there is a present intention to investigate the possibility of moving those key management personnel who are not employees on to employment contracts in the medium term post completion. Mr Madsen and other Directors will also acquire relevant interests in GPG securities as part of the Proposal, which is expected to further increase alignment.

Other factors

278 Paragraph 62 of RG 111 lists a number of factors that an expert may consider in assessing the reasonableness of related party transaction. These issues are addressed below to the extent that they are relevant to GDF and have not already been addressed elsewhere in this report:

- (a) **opportunity costs** – the Proposal does not have any material opportunity costs in that it does not inhibit GDF from pursuing other transactions. In fact, in our view, it enhances its ability to do so (refer to paragraphs 274 and 275)
- (b) **GDF's bargaining position** – GDF's bargaining position relative to GCM is difficult to evaluate. That said, it should be noted that:
 - (i) GDF is not in any financial distress
 - (ii) the Independent Board Committee retained financial and legal advisors to assist with the negotiations with GCM
 - (iii) there is no urgent need for GDF to internalise the management rights and the status quo can continue.

Tax considerations

279 No adverse income tax consequences are expected to arise for GDF (Australian and New Zealand resident) unitholders in respect of the Proposal. This is because under the Proposal, GDF unitholders will receive a distribution of GHL shares, which will be treated as a return of capital. This distribution will result in a cost base reduction in the GDF units held by the GDF unitholders, equal to the value of the GHL shares. As the value of the GHL shares is expected to be a nominal amount, the corresponding reduction in the cost base of GDF units held by the GDF unitholders should be a nominal amount. It should be noted that the capital gains tax acquisition date of the GHL shares will be the date of acquisition. This is relevant for those GDF unitholders who are eligible for the capital gains tax discount.

280 GDF unitholders with a registered address outside of Australia or New Zealand will not be entitled to receive securities in GPG due to legal restrictions and the securities they would otherwise receive will be disposed of through a share sale facility. The consideration received by these foreign GDF unitholders will represent the sale proceeds arising from the disposal of their GDF units. Provided that the GDF units are not regarded as 'taxable Australian property', any capital gain or capital loss should be disregarded.

281 Further information on the taxation consequences of the Proposal is set out in Section 10 of the Notice of Meeting and Explanatory Memorandum.

Existing foreign unitholders

282 As mentioned above, existing GDF unitholders with a registered address outside of Australia or New Zealand will not be entitled to receive securities in GPG due to legal restrictions. However:

- (a) the securities in GPG to which they would otherwise be entitled will be sold on-market through a sale facility and they will receive the cash proceeds of the sale
- (b) if they wish to retain an exposure to GDF, they can acquire securities in GPG securities on-market

- (c) existing foreign (other than New Zealand) based unitholders represent approximately 0.1% of GDF's ordinary units on issue.

283 Further information on the above, including the sale facility can be found at Section 11.4 of the Notice of Meeting and Explanatory Memorandum.

Conclusion

284 We summarise below the likely advantages and disadvantages of the Proposal from the perspective of the Non-Associated GDF Unitholders:

Advantages

- (a) our assessed value of 100% of GCM is broadly consistent with our assessed value of the consideration offered, therefore the Proposal is considered fair to the Non-Associated GDF Unitholders based on the guidelines set out in RG 111. However, Non-Associated GDF Unitholders should note that the low, mid-point and high end of our assessed value of GCM are slightly lower than the value of the consideration being offered
- (b) the Proposal is expected to result in increased distributable earnings and distributions (in the short term). It is also likely to improve GDF's growth profile over the medium-to-long term (as the internalisation will result in GDF being able to grow its own AUM more cost effectively and potentially pursue the management of an additional external fund, or portfolio of external funds)
- (c) the Proposal is marginally value accretive for the Non-Associated GDF Unitholders
- (d) the internalisation will provide greater alignment of interests as the directors and management will become directly accountable to GPG securityholders only
- (e) expected continuity in the management team, who have a proven track record in the governance and day-to-day management of GDF
- (f) GDF's attractiveness as a potential takeover target is likely to be enhanced, through which GPG securityholders could realise a premium for control (albeit noting that REITs normally do not attract the payment of any material premium for control)

Disadvantages

- (g) NTA per security will decrease (by approximately 12%) to approximately \$1.18 per security on a pro-forma basis, although NAV will remain at approximately \$1.35 per security
- (h) gearing increases from 36.0% to 37.8% which is at the higher end of the observed gearing ratios of the ASX listed office and industrial focused A-REITs set out at Appendix E. That said, management have advised that GPG remains well within its banking covenants (on a pro-forma basis). Further, GPG has stated that it intends to sell its 'treasury stock' in the medium term following the Proposal, the proceeds of which would materially reduce gearing.

- 285 Based on the above, we consider the advantages of the Proposal to outweigh the disadvantages when considered from the perspective of the Non-Associated GDF Unitholders. Accordingly, in our opinion, the Proposal is fair and reasonable to the Non-Associated GDF Unitholders, in the absence of a superior proposal.

Other considerations

- 286 GDF securityholders should note that the listed market price of GDF securities is subject to daily fluctuation. The price at which GPG securities may be sold subsequent to the implementation of the Proposal may therefore be greater or less than our assessed value range of \$1.36 to \$1.47 per security.
- 287 GDF securityholders should also note that any decision to continue to hold GPG securities beyond the short term is a separate investment decision. As it is not possible to accurately predict future security price movements, any decision to hold GPG securities should be made by securityholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.
- 288 In particular, whilst the distribution yields implied by our assessed value range of GPG securities are consistent with the yields of other broadly comparable A-REITs, as noted above, the NTA per security will fall from \$1.34 (pro-forma 30 June 2019) to around \$1.18 (largely because the Proposal involves the acquisition of management rights which are an intangible asset). Accordingly, in our view, there is a risk that the listed market price of GPG securities will trade at a price that more closely resembles its underlying NTA per security over the medium-to-long term. However, we also consider that, in the absence of the Proposal, there is a risk that GDF units will trade at a discount to NTA (as opposed to the current premium) over the medium-to-long term, due to its external management structure.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting and Explanatory Memorandum to be sent to GDF unitholders in connection with the Proposal.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER 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.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA 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 entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$275,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment advisor under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Nathan Toscan, who are each authorised representatives of LEA. Mr Edwards and Mr Toscan have over 25 years and 15 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Independent Directors of GCL (acting as RE to GDF) to accompany the Notice of Meeting and Explanatory Memorandum to be sent to GDF unitholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposal is fair and reasonable to the Non-Associated GDF Unitholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Toscan have any interest in the outcome of the Proposal. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with GCM, or GDF prior to the preparation of this report.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, GDF agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of GDF which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in GDF's Notice of Meeting and Explanatory Memorandum.

Appendix C

GDF investment properties

Commercial office properties

7-19 Lake Street, Cairns, QLD



Valuation ⁽¹⁾ (\$m)	57.0	WALE ⁽²⁾ (years)	3.6
Cap rate (%)	8.25	Number of tenants	27
NLA (sqm)	14,683	Car spaces	254
Occupancy ⁽²⁾ (%)	97.0	NABERS ⁽³⁾	5.0 star

Note:

- 1 Independent valuation as at June 2019. Includes land at 26-30 Grafton Street, Cairns which provides GDF with an opportunity for potential future development.
- 2 As at 1 July 2019 (by income).
- 3 National Australian Built Environment Rating System (NABERS). Ranges from 1 star (poor) to 6 stars (market leading).

154 Varsity Parade, Varsity Lakes, QLD



Valuation ⁽¹⁾ (\$m)	12.8	WALE ⁽²⁾ (years)	2.6
Cap rate (%)	8.25	Number of tenants	3
NLA (sqm)	3,994	Car spaces	139
Occupancy ⁽²⁾ (%)	83.0	NABERS	6.0 star

Note:

- 1 Independent valuation as at June 2019.
- 2 As at 1 July 2019 (by income).

Appendix C

572 – 576 Swan Street, Richmond, VIC



Valuation ⁽¹⁾ (\$m)	53.0	WALE ⁽²⁾ (years)	4.4
Cap rate (%)	5.75	Number of tenants	3
NLA (sqm)	6,587	Car spaces	178
Occupancy ⁽²⁾ (%)	100.0	NABERS	5.0 star

Note:

- 1 Independent valuation as at June 2019.
- 2 As at 1 July 2019 (by income).

588 Swan Street, Richmond, VIC (Botanica 9)



Valuation ⁽¹⁾ (\$m)	62.8	WALE ⁽²⁾ (years)	-
Cap rate (%)	5.75	Number of tenants	-
NLA (sqm)	7,109	Car spaces	232
Occupancy ⁽²⁾ (%)	-	NABERS	n/a

Note:

- 1 Based on an independent valuation on an “as-if” complete basis as at 1 June 2019. Construction for “Botanica 9” was substantially completed by May 2019.
- 2 This property is currently vacant having recently finished construction.
n/a – not applicable.

Appendix C

436 Elgar Road, Box Hill, VIC⁽¹⁾



Valuation ⁽²⁾ (\$m)	31.5	WALE ⁽³⁾ (years)	3.4
Cap rate (%)	6.25	Number of tenants	2
NLA (sqm)	5,729	Car spaces	197
Occupancy ⁽³⁾ (%)	100.0	NABERS	3.5 star

Note:

- 1 The property at 436 Elgar Road, Box Hill sits on a 2,650 sqm corner site and is located approximately 15km east from the Melbourne CBD. The site has significant development potential for both residential and commercial purposes. This includes a possible 16 storey office building with 17,000 sqm NLA or a 19 storey residential tower containing 229 one and two bedroom apartments however these remain conceptual plans only as no development applications have been lodged with council.
- 2 Independent valuation as at June 2019.
- 3 As at 1 July 2019 (by income).

Appendix C

Industrial properties

142-150 Benjamin Place, Lytton, QLD



Valuation ⁽¹⁾ (\$m)	9.5	Occupancy ⁽²⁾ (%)	100.0
Cap rate (%)	7.0	WALE ⁽²⁾ (years)	1.9
NLA (sqm)	5,677	Number of tenants	2

Note:

- 1 Independent valuation as at June 2019.
- 2 As at 1 July 2019 (by income).

69-79 Diesel Drive, Mackay, QLD



Valuation ⁽¹⁾ (\$m)	30.0	Occupancy ⁽²⁾ (%)	100.0
Cap rate (%)	7.5	WALE ⁽²⁾ (years)	9.5
NLA (sqm)	13,843	Number of tenants	1

Note:

- 1 Independent valuation as at June 2019.
- 2 As at 1 July 2019 (by income).

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67 Noosa Street, Heathwood, QLD



Valuation ⁽¹⁾ (\$m)	10.5	Occupancy ⁽²⁾ (%)	100.0
Cap rate (%)	7.25	WALE ⁽²⁾ (years)	8.8
NLA (sqm)	6,022	Number of tenants	1

Note:

- 1 Independent valuation as at June 2019.
- 2 As at 1 July 2019 (by income).

41 Bivouac Place, Wacol, QLD



Valuation ⁽¹⁾ (\$m)	35.3	Occupancy ⁽²⁾ (%)	100.0
Cap rate (%)	6.25	WALE ⁽²⁾ (years)	9.0
NLA (sqm)	9,994	Number of tenants	1

Note:

- 1 Independent valuation as at June 2019.
- 2 As at 1 July 2019 (by income).

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70-82 Main Beach Road, Pinkenba, QLD



Valuation ⁽¹⁾ (\$m)	20.0	Occupancy ⁽²⁾ (%)	100.0
Cap rate (%)	7.0	WALE ⁽²⁾ (years)	14.1
NLA (sqm)	40,490	Number of tenants	1

Note:

- 1 Independent valuation as at June 2019.
- 2 As at 1 July 2019 (by income).

38 Peterkin Street, Acacia Ridge, QLD



Valuation ⁽¹⁾ (\$m)	6.0	Occupancy ⁽²⁾ (%)	100.0
Cap rate (%)	7.5	WALE ⁽²⁾ (years)	1.3
NLA (sqm)	4,465	Number of tenants	1

Note:

- 1 Based on acquisition price.
- 2 As at 1 July 2019 (by income).

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56 Peterkin Street, Acacia Ridge



Valuation ⁽¹⁾ (\$m)	7.2	Occupancy ⁽²⁾ (%)	-
Cap rate (%)	7.25	WALE ⁽²⁾ (years)	1.5 ⁽³⁾
NLA (sqm)	4,794	Number of tenants	-

Note:

- 1 Based on acquisition price.
- 2 As at 1 July 2019.
- 3 The property is currently vacant, however, a \$2.0 million rental support facility was associated with the acquisition of 56 & 69 Peterkin Street, Acacia Ridge. The rental support facility can be received as an up-front payment or over equal / non equal instalments. The WALE for 56 & 69 Peterkin Street is based on a pro-rata allocation of the \$2.0 million rental support facility by NLA divided by the independently assessed market rents for each property.

69 Peterkin Street, Acacia Ridge



Valuation ⁽¹⁾ (\$m)	11.9	Occupancy ⁽²⁾ (%)	-
Cap rate (%)	7.25	WALE ⁽²⁾ (years)	1.5 ⁽³⁾
NLA (sqm)	7,412	Number of tenants	-

Note:

- 1 Based on acquisition price.
- 2 As at 1 July 2019.
- 3 The property is currently vacant, however, a \$2.0 million rental support facility was associated with the acquisition of 56 & 69 Peterkin Street, Acacia Ridge. The rental support facility can be received as an up-front payment or over equal / non equal instalments. The WALE for 56 & 69 Peterkin Street is based on a pro-rata allocation of the \$2.0 million rental support facility by NLA divided by the independently assessed market rents for each property.

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839 Beaudesert Road, Archerfield, QLD



Valuation ⁽¹⁾ (\$m)	6.0	Occupancy ⁽²⁾ (%)	92.0
Cap rate (%)	8.0	WALE ⁽²⁾ (years)	1.9
NLA (sqm)	4,524	Number of tenants	6

Note:

- 1 Based on acquisition price.
- 2 As at 1 July 2019 (by income).

326 & 340 Thynne Road, Morningside



Valuation ⁽¹⁾ (\$m)	41.0	Occupancy ⁽²⁾ (%)	100.0
Cap rate (%)	5.75	WALE ⁽²⁾ (years)	3.4
NLA ⁽³⁾ (sqm)	16,979	Number of tenants	2

Note:

- 1 Based on acquisition price.
- 2 As at 1 July 2019 (by income).
- 3 The property has a current development approval for the construction of an additional 5,872 sqm of NLA.

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Investment properties under construction

1-9 Huntress Road, Berrinba, QLD



Type	Industrial
Estimated construction commencement ⁽¹⁾	1H20
Valuation ⁽²⁾ (\$m)	3.0
Cap rate (%)	n/a
Estimated construction costs (\$m)	6.5
NLA (sqm) ⁽²⁾	5,500

Note:

- 1 Construction is expected to commence imminently and be completed before the end of FY20.
 - 2 Independent valuation as at June 2019 (land value only).
 - 3 In built form, the facility is intended to provide approximately 5,000 sqm of warehouse and 500 sqm of office accommodation.
- n/a - not applicable.

498 Progress Road, Wacol, QLD



Type	Industrial
Estimated construction commencement ⁽¹⁾	2H20
Valuation ⁽²⁾ (\$m)	6.5
Cap rate (%)	n/a
Estimated construction costs (\$m)	22.0
NLA (sqm) ⁽³⁾	17,000

Note:

- 1 A development application has been submitted and after allowing for statutory assessment periods, GDF anticipates all relevant approvals to be received in the last quarter of calendar year 2019. Construction and development is expected to occur during 2H20 and FY21.
 - 2 Independent valuation as at June 2019 (land value only).
 - 3 In built form, the facility is intended to provide approximately 17,000 sqm over three separate buildings.
- n/a - not applicable.

Appendix D

Transaction evidence – property / property fund management rights

- 1 Set out below is a selection of relevant significant transactions (for which financial information is available) from mid 2011 involving property / property fund management rights primarily relating to Australian assets:

Transaction evidence – property / property fund management rights			EV ⁽²⁾	AUM ⁽³⁾	EV / AUM	EV / EBIT	EBIT / AUM
Date ⁽¹⁾	Target	Acquirer	A\$m	A\$m	%	x	%
May 19	Heathley Limited	Centuria Capital Group	31.8	620	5.1	10.0 (H)	0.5 (H)
Oct 18	Heathley Limited	Dexus	39.6	528	7.5	na	na
Sep 18	PropertyLink	ESR Real Estate (Australia) Pty Ltd	48.0 ⁽⁴⁾	1,028	4.7	nm	nm
Aug 18	Folkestone Limited	Charter Hall Group	57.3	1,609	3.6	8.2 (F)	0.4 (F)
Aug 18	APG management platform	Internalisation by Aventus Retail Property Fund	143.1	2,000	7.2	8.6 (F) ⁽⁵⁾	0.8 (F) ⁽⁵⁾
May 17	Armada Funds Management	Moelis Australia	30.7	800	3.8	6.5 (H)	0.6 (H)
Nov 16	360 Capital Investment Management	Centuria Capital Group	91.5	1,395	6.6	10.1 (F)	0.7 (F)
Jun 16	Generation Healthcare	NorthWest Healthcare	58.5	439	13.3	5.1 (H) ⁽⁶⁾	2.6 (H) ⁽⁶⁾
Apr 16	GPT Metro Office Management Platform	Growthpoint Australia	9.0	439	2.0	7.0 (F)	0.3 (F)
Feb 16	Investa Commercial Management Platform	Investa Commercial Property Fund	90.0	8,500	1.1	9.4 (F)	0.1 (F)
Feb 15	Novion Management Platform	Novion & Federation merger	725.0 ⁽⁷⁾	14,889 ⁽⁷⁾	4.9 ⁽⁷⁾	14.6 (F) ⁽⁷⁾	0.3 (F)
Feb 15	Federation Management Platform	Novion & Federation merger	400.0 ⁽⁷⁾	7,328 ⁽⁷⁾	5.5 ⁽⁷⁾	13.3 (F) ⁽⁷⁾	0.4 (F)
Jan 15	Valad Europe Management Platform ⁽⁸⁾	Cromwell Property Group	158.1 ⁽⁹⁾	7,600	2.1	6.4 (F)	0.3 (F)
Nov 14	Citrus Investment Services	Internalisation by Arena REIT	11.5 ⁽¹⁰⁾	411 ⁽¹⁰⁾	2.8 ⁽¹⁰⁾	10.5 (F) ⁽¹⁰⁾	0.3 (F)
Apr 14	Maxim Asset Management	Folkestone	0.3	30	1.1	na	na
Dec 13	CFS Retail Property Trust	Internalisation by CFS Retail Property Trust	460.0	13,900	3.3	9.5 (F)	0.3 (F)
Dec 13	Commonwealth Property Office Fund	Dexus	41.0	3,824	1.1	2.9 (F) ⁽¹¹⁾	0.4 (F) ⁽¹¹⁾
Dec 13	Westfield Group’s ANZ Operating Platform ⁽¹²⁾	Westfield Group Restructure	2,922.8	38,600	7.6	13.5 (F)	0.6 (F)
Oct 13	GDI Property Group	Internalisation by GDI	18.5 ⁽¹³⁾	742	2.5 ⁽¹³⁾	3.7 (H) ⁽¹³⁾	0.7 (H) ⁽¹³⁾
Aug 13	360 Capital Funds Management	Trafalgar Corporate	5.5	850	0.6	5.5 (H)	0.1 (H)
Jul 13	Kiwi Income Property Trust ⁽⁸⁾	Internalisation by Kiwi Income Property Trust	62.4 ⁽¹⁴⁾	1,809 ⁽¹⁴⁾	3.5	6.6 (H)	0.5 (H)
Jul 12	Austock Property	Folkestone Group	11.5	555	2.1	3.9 (H) ⁽¹⁵⁾	0.5 (H) ⁽¹⁵⁾
Jun 12	PFA Div Property Trust	Charter Hall Group	5.0	445	1.1	na	na
Dec 11	Orchard Funds Management	Morgan Stanley Real Estate	13.0	1,200	1.1	na	na
Aug 11	Centro Services Business	Internalisation by Centro Retail Group	251.0	6,975	3.6	6.2 (H)	0.6 (H)
Jul 11	ING Healthcare Fund	APN Property Group	3.3	190	1.7	6.9 (H)	0.3 (H)
Mar 11	Trinity Wholesale Funds Management ⁽¹⁶⁾	Jones Lang LaSalle	9.3	650	1.4	3.5 (H)	0.4 (H)
						3.7 (F)	0.4 (F)

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Note:

- 1 Date of announcement.
 - 2 Implied value of an acquisition of 100% if transaction does not already involve an acquisition of 100%.
 - 3 AUM or FUM, noting that these terms are used interchangeably within this report.
 - 4 Based upon high end of independent expert's assessed range of values.
 - 5 Based on EBIT which has been normalised for investment management fee waivers. The EV / EBIT multiple is 9.3 times excluding the normalisation adjustment.
 - 6 Calculated by reference to EBIT including performance and transaction fees. If these fees are excluded, the EV / EBIT multiple is 17.4 times.
 - 7 Property management platform values and other information are sourced from the IER for this transaction.
 - 8 We note that the acquisitions of the Valad Europe Management Platform and the internalisation of the Kiwi Income Property Trust relate to portfolios of predominately foreign based assets.
 - 9 Consideration excludes payment for performance fees.
 - 10 Transaction includes syndicate consideration for the PHC Syndicate and PSH joint venture. On the basis that the transaction excludes the syndicate and joint venture, the consideration would be A\$9.5 million, FUM would be A\$378.8 million, EV / FUM would be 2.5% and EBIT multiple would be 11.9 times.
 - 11 Earnings upon which multiple is based incorporate significant synergy benefits (which in-turn are also reflected in the multiple).
 - 12 Westfield Group's ANZ Operating Platform includes retail property management, funds management and property development platforms.
 - 13 Consideration excludes payment for disposal and performance fees. As earnings vary widely from year to year, EBIT has been based upon the average of FY11 to FY13 (excluding disposal and performance fees). The inclusion of disposal fees and performance fees in consideration and earnings would increase EV / FUM to 4.3%, EV / EBIT to 5.7 times and EBIT / FUM to 0.8%.
 - 14 Translated at an exchange rate of AUD:NZD = 1.1611, being the exchange rate prevailing on the date of announcement.
 - 15 Estimate based upon information disclosed by Austock Group Limited in its 1H13 results.
 - 16 Primarily based upon information disclosed in the 10 September 2012 IER on Trinity Limited's off-market buy back.
- na – not available, nm – not meaningful, H – Historic multiple, F – Forecast multiple.
- Source:** Company announcements, press commentary, analyst reports and LEA analysis.

Appendix D

Transaction descriptions

Centuria Capital Group's strategic investment in Heathley Limited

- 2 On 20 May 2019, Centuria Capital Group (Centuria) announced that it had acquired a 50% voting interest and a 63.06% economic interest in Heathley Limited (Heathley). At the time of the acquisition, Heathley was a specialised healthcare property fund manager with \$620 million assets under management across eight unlisted funds which held a nationally diversified portfolio of 42 assets in the healthcare chain, including medical centres, day hospitals and tertiary aged care. Pursuant to the agreement, Centuria will also have a first right of refusal to acquire the remaining Heathley shares and there is also a (five year) call and put option over any remaining shares held by Heathley management.

Dexus' purchase of a strategic interest in Heathley Limited

- 3 On 5 October 2018, Dexus (formerly known as Dexus Property Group) announced that it had acquired a 28.5% strategic interest in Heathley (with an option to acquire a further 21.5% in the future). At the time Heathley was a specialist owner of healthcare real estate assets and manager of (approximately 12) healthcare real estate funds in Australia, including the Heathley Healthcare REIT (which at the time was proposed to be listed on the ASX). As part of the transaction, Dexus intended to acquire a 10.0% interest in the Heathley Healthcare REIT, which at the time, comprised a diversified Australian healthcare portfolio of 42 assets located across five states and valued at \$528.4 million.

ESR's acquisition of Propertylink

- 4 On 12 November 2018, Propertylink announced that it had entered into a Bid Implementation Agreement with ESR Real Estate (Australia) Pty Limited (ESR) in relation to ESR's off-market takeover bid for PropertyLink. PropertyLink was an internally managed Australian real estate group specialising in Australian industrial and office investments. At the time of the acquisition, PropertyLink's funds management platform serviced its own directly owned property portfolio as well as a number of external unlisted funds with exposure to industrial and office real estate. Total AUM as at 30 September 2018 was \$1.9 billion (which included \$0.8 billion of directly owned industrial properties). PropertyLink also co-invested alongside the investors in the funds it managed.

Charter Hall's acquisition of Folkestone

- 5 On 22 August 2018, Charter Hall announced that it had signed a Scheme Implementation Deed to acquire 100% of Folkestone Limited (Folkestone), an ASX listed real estate funds manager and developer. At the time of the acquisition, Folkestone's funds management business provided services to a range of listed and unlisted real estate funds, with total FUM of \$1.6 billion as at 30 June 2018. Folkestone also had co-investments in a number of the funds that it managed, including a 12.0% interest in the ASX listed Folkestone Education Trust, the largest Australian based property trust that holds investments in early learning properties (i.e. childcare centres) across Australia and New Zealand, which had gross assets of \$1.0 billion as at 30 June 2018. Folkestone derived some 65% of its funds management income from the Folkestone Education Trust.

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Aventus Retail Property Fund's internalisation of management rights

- 6 Aventus was externally managed by Aventus Property Group Limited and its subsidiaries (APG). On 10 August 2018, the fund announced a proposal to acquire APG and thereby internalise its management functions, as well as assume management of the retail asset known as Kotara North. At the time of the announcement, APG had AUM of some \$2.0 billion, being the carrying value of Aventus' property portfolio, which consisted of 20 large format retail centres, plus Kotara North.

Moelis Australia's acquisition of Armada Funds Management

- 7 On 3 May 2017, Moelis Australia agreed to acquire specialist real estate fund manager Armada Funds Management. Armada Funds Management held \$800 million in AUM across 10 unlisted single asset funds managed on behalf of a mixture of institutional and high net worth clients.

Centuria's acquisition of 360 Capital Investment Management

- 8 On 23 November 2016, 360 Capital Group announced it had entered into a transaction with Centuria for the sale of 360 Capital Investment Management for cash consideration of \$91.5 million. At the date of announcement, 360 Capital Investment Management held approximately \$1.4 billion in FUM across two listed and four unlisted funds.

NorthWest Healthcare Properties acquisition of Generation Healthcare FUM platform

- 9 On 27 June 2016, APN Property Group (APN) announced that it (and associated entities) had sold its interest in the healthcare real estate investment platform to NorthWest Healthcare Properties REIT for \$58.5 million. The business undertook management services for Generation Healthcare REIT, an ASX listed healthcare real estate investment entity with AUM of some \$439 million and ownership of 17 properties located across VIC, NSW and QLD. The property portfolio included hospitals, medical centres, laboratories, residential aged care facilities and other purpose-built healthcare facilities.

Growthpoint Properties Australia's acquisition of GPT Metro Office Management Platform

- 10 On 5 April 2016, Growthpoint announced the proposed acquisition of GPT Metro Office Fund, which included the acquisition of the GPT Metro Office property management platform for some \$9 million. At the time of the acquisition, GPT Metro Office Fund had some \$439 million in AUM, with six properties located across NSW, VIC and QLD.

Investa Commercial Property Fund acquisition of Investa Office Management Platform

- 11 On 22 February 2016, an entity stapled to the Investa Commercial Property Fund entered into a binding agreement to purchase Investa Office Management Holdings (IOMH), the owner of Investa Office Management Platforms from Morgan Stanley Real Estate Investing. At the time of the acquisition, IOMH had approximately \$8.5 billion in AUM, with 22 property investments located in core CBD markets throughout Australia.

Novion Property Group merger with Federation Centres

- 12 On 3 February 2015, Novion Property Group announced a proposed merger with Federation Centres. At the time of the announcement, the Novion Property Group management platform and Federation Centres management platform provided asset management services to both

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their respective property portfolios as well as external property funds. The AUM at the transaction date were approximately \$14.9 billion (Novion) and \$7.3 billion (Federation).

Cromwell Property Group acquisition of Valad Europe's property management platform

- 13 On 27 January 2016, Cromwell announced the acquisition of Valad Europe property management platform, a European based property funds manager with AUM of approximately €5.3 billion (A\$7.6 billion). Valad Europe's property management platform managed assets across 13 countries and provided a fully internalised approach to property and funds management.

Arena's internalisation of management rights

- 14 On 4 November 2014, Arena Investment Management, the responsible entity for both Arena REIT No. 1 and Arena REIT No. 2 (together Arena) announced that it had entered into an implementation agreement with Citrus II Investments Pty Ltd for Arena to internalise its corporate governance and management function and to assume management rights over two wholesale funds (PHC Darlinghurst Syndicate and Trust and BSH Joint Venture). The transaction included some \$416 million in AUM.

Folkestone's acquisition of Maxim Asset Management

- 15 On 3 April 2014, Folkestone announced the acquisition of Maxim for \$0.3 million. At the time of the acquisition, Maxim actively managed two funds with a combined FUM of \$30 million, consisting of the Maxim Property Securities Fund and the Maxim Income Fund. These funds held assets in real estate securities and high yield real estate debt.

CFS Retail Property Trust Group management rights internalisation

- 16 On 18 December 2013, the responsible entity of CFS Retail Property Trust Group announced an agreement with the Commonwealth Bank of Australia to internalise the management rights of CFS Retail Property Trust Group. At the time of the announcement, the trust owned 35 retail property assets and held AUM of some \$13.9 billion.

Dexus' acquisition of Commonwealth Property Office Fund

- 17 On 13 December 2013, Dexus (formerly known as Dexus Property Group) announced that it had entered into an exclusive binding Facilitation Agreement to transition the management of Commonwealth Property Office Fund to Dexus for \$41 million, contingent on the successful acquisition of Commonwealth Property Office Fund. At the time of the announcement, Commonwealth Property Office Fund had some \$3.7 billion office property AUM.

Restructure of Westfield and Westfield Group's ANZ Operating Platform

- 18 On 4 December 2013 Westfield Group and Westfield Retail Trust (WRT) announced a proposal to merge Westfield Group's Australian / New Zealand business (ANZ) with WRT to form a new entity to be known as Scentre Group, with the international business of Westfield Group to become Westfield Corporation. Implicit in this transaction was the acquisition of Westfield Group's ANZ operating platform, which included both property management and property development. At the time of the transaction, Westfield Group's ANZ operating platform had a portfolio 47 properties with AUM of some \$38.6 billion.

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GDI Property Group management rights internalisation

- 19 On 25 November 2013, GDI announced that at the completion of the proposed ASX public listing, GDI would become a listed stapled entity whereby GDI would be internally managed. At the date of announcement the fund held some \$742 million in AUM, which included four properties located in core CBD locations in Perth, Sydney, Adelaide and Brisbane.

Trafalgar Corporate acquisition of 360 Capital funds management business

- 20 On 19 August 2013, 360 Capital Property Group announced that it had entered into a conditional sale agreement with Trafalgar Corporate Group which would result in its backdoor listing on the ASX. At the time of the transaction, the 360 Capital Property Fund had some 15 employees with some \$860 million FUM across 10 funds, holding 28 properties.

Kiwi Income Property Trust management rights internalisation

- 21 On 24 July 2013, Kiwi Income Property Trust received a non-binding proposal from Commonwealth Bank of Australia to internalise the management rights of Kiwi Income Property Trust for NZ\$72.5 million. At time of acquisition the trust held FUM of some NZ\$2.1 billion, which primarily included retail and office assets across New Zealand.

Folkestone's acquisition of Austock Property

- 22 On 9 July 2012, Folkestone announced that it would purchase Austock Group Limited's Austock Property funds management business. At the time of the acquisition, Austock Property was an investment management company with approximately \$555 million of AUM across four listed and unlisted funds specialising in childcare, medical centres and police stations / courthouses.

Charter Hall's appointment as RE to the PFA Diversified Property Trust

- 23 On 28 June 2012, Charter Hall announced that it had entered into a contract with various entities of the Australian Property Growth Fund to purchase the right to manage PFA Diversified Property Trust. As consideration, Charter Hall paid a facilitation fee of \$5.0 million. The change in the RE was approved by PFA Diversified Property Trust unitholders on 15 August 2012. At the time of the acquisition, PFA Diversified Property Trust held \$444.5 million of predominately office assets located across Australia.

Morgan Stanley Real Estate Fund VII's acquisition of Orchard Funds Management

- 24 Morgan Stanley Real Estate Fund VII purchased Orchard Funds Management for \$13 million in December 2011. At the date of the transaction the company managed seven unlisted property funds with approximately \$1.2 billion of AUM (mostly Australian commercial property).

Centro Retail Group's acquisition of Centro Properties Group's Service Business

- 25 On 9 August 2011, Centro Group announced a restructure which included Centro Retail Group, Centro Properties Group, Centro Direct Property Fund, Centro Australia Wholesale Fund and several other closed end property syndicates. Part of the restructure involved the internalisation of the management rights, which were owned by Centro Properties Group within its Services Business. At the date of the acquisition, the Services Business managed 31 funds and had \$7.0 billion of AUM.

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APN's acquisition of ING Healthcare Pty Ltd

- 26 On 7 July 2011, APN announced that it had entered into an agreement to purchase 67.5% of ING Healthcare Pty Ltd, the manager of the ING Real Estate Healthcare Fund, which owned private hospitals and clinics and had FUM of \$190 million. The transaction, which was subject to the approval of ING Real Estate Healthcare Fund unitholders, would also result in a change of RE from ING Management to APN.

Jones Lang LaSalle's acquisition of Trinity's wholesale funds management business

- 27 On 7 July 2011, Trinity Limited announced that Jones Lang LaSalle had contracted to purchase 100% of Trinity's wholesale funds management business for \$9.25 million plus NTA (the business was owned 50% by Trinity and 50% by Clarence Property Corporation). At the time of the acquisition, the wholesale funds management business had approximately \$650 million of AUM (mostly commercial Australian property).

Appendix E

Trading evidence – A-REITs

1 We set out below the trading evidence for a number of selected ASX listed A-REITs:

Selected listed A-REIT multiples ⁽¹⁾										
	Property management	Market cap A\$m	Gearing ⁽²⁾ %	Rosetta Beta	Technology ⁽³⁾ R-square ⁽⁴⁾	Earnings yield		Distribution yield ⁽⁵⁾		Premium/ (Discount) to NTA ⁽⁶⁾ %
						FY20 %	FY21 %	FY20 %	FY21 %	
GDF ⁽⁷⁾	External	241	36.0	0.21	0.05	6.1	6.4	6.1	6.3	9.1
Diversified A-REITs										
Dexus ⁽⁸⁾	Internal	13,689	24.0	0.83	0.36	4.6	4.8	4.2	4.4	19.1
Charter Hall ⁽⁸⁾	Internal	5,342	30.8	1.11	0.31	5.3	4.5	3.2	3.5	194.1
Growthpoint	Internal	3,356	30.1	0.74	0.32	5.3	5.4	5.5	5.6	23.6 ⁽⁹⁾
Abacus ⁽⁸⁾	Internal	2,517	15.2	0.83	0.18	5.3	5.6	4.9	5.0	15.4 ⁽¹⁰⁾
Investec	External	872	38.1	na	na	5.6	na	5.6	na	21.7
APN Industria	External	525	30.0	0.23	0.04	6.9	7.0	6.1	6.2	7.0
Office A-REITs										
Cromwell ⁽⁸⁾⁽¹¹⁾	Internal	3,309	42.3	0.95	0.45	6.3	6.3	6.0	6.2	31.4
Centuria Metropolitan	External	1,332 ⁽¹²⁾	34.9	0.42	0.20	6.4	6.5	6.0	6.1	17.5 ⁽¹²⁾
GDI	Internal	824	6.5	0.39	0.11	5.7	5.8	5.1	5.1	21.1
Australian Unity ⁽¹³⁾	External	453	30.5	0.10	0.01	6.3	6.5	5.7	5.8	4.1
Industrial A-REITs										
Goodman Group ⁽⁸⁾	Internal	25,195	20.0	0.88	0.32	4.1	4.5	2.2	2.3	160.2
Centuria Industrial	External	997	37.4	0.41	0.13	6.2	6.1	5.7	5.8	21.2

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Note:

- 1 Calculated as at 19 September 2019, based upon latest available information (unless stated otherwise).
- 2 Based on reported gearing which is generally calculated as total borrowings less cash divided by total tangible assets less cash. Gearing for Dexus, Charter Hall, Cromwell and Goodman Group is shown on a “look-through” basis.
- 3 Rosetta Technology betas (formerly known as SIRCA betas) are estimated as at 30 June 2019 using four years of monthly data (the latest available).
- 4 R-square is a statistical measure of how well the regression line approximates the real data points. It has a value between zero and 1. The closer R-square is to 1 the more reliable the beta estimate.
- 5 Excludes capital returns and special distributions.
- 6 Based upon reported NTA per security as at 30 June 2019 unless stated otherwise.
- 7 Based on reported NTA per unit as at 31 July 2019. Gearing and premium to NTA based upon pro-forma 30 June 2019 position (which adjusts for the Acacia Ridge / Archerfield and Morningside acquisitions).
- 8 Dexus, Charter Hall, Cromwell and Goodman Group have large fund management operations. Abacus also has some AUM but to a lesser degree.
- 9 Based on pro-forma NTA as at 30 June 2019, which includes adjustment for the settlement of the Institutional Placement and Security Purchase Plan launched in FY19 but settled in early FY20.
- 10 Based on pro-forma NTA as at 30 June 2019, which adjusts for the settlement of the \$250 million Institutional Placement which completed on 29 July 2019.
- 11 We note that on 2 May 2019, Cromwell responded to media speculation regarding a potential buyout by ARA Asset Management and confirmed that no approach had been made.
- 12 Based on pro-forma NTA as at 30 June 2019, which adjust for the \$273 million equity raising and \$380.5 million property acquisitions announced on 18 September 2019 (assuming Centuria Metropolitan unitholders approve the acquisition of 8 Central Avenue and the conditional placement to Centuria).
- 13 Calculated as at 3 June 2019, being the last trading day prior to the joint takeover offer from Charter Hall and Abacus.

Source: Bloomberg, company announcements and LEA analysis.

Appendix E

Diversified A-REITs

Dexus

- 2 Dexus is one of Australia's largest real estate groups, with operations covering the development, management and ownership of office and industrial properties. As at 30 June 2019, the group had AUM of \$31.8 billion, comprising property managed for third party clients (\$16.2 billion) and its directly owned office and industrial property portfolio (\$15.6 billion) as well as a \$9.3 billion development pipeline. Dexus' directly owned office properties are located across Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra.

Charter Hall Group

- 3 Charter Hall is a property fund manager and developer managing a suite of institutional, wholesale and retail unlisted property funds (office, retail, industrial and residential) in which it also holds investments. As at 30 June 2019, the group managed 844 office, retail, industrial and social infrastructure properties worth \$30.4 billion. Charter Hall's property investment portfolio consists of 793 properties covering the industrial, office, retail and social infrastructure property sectors with a total value of \$1.8 billion (as at 30 June 2019).

Growthpoint Properties Australia

- 4 Growthpoint is an ASX listed REIT with a mandate to invest in Australian office, industrial and retail property. As at 30 June 2019, the group's \$4.0 billion investment property portfolio comprised 57 industrial and office properties located in metropolitan areas across all Australian states (excluding Tasmania and the Northern Territory). Growthpoint operates under an internalised management structure.

Abacus Property Group

- 5 Abacus is a diversified property investment group with property investment, funds management and development operations. As at 30 June 2019, the group had a diversified investment portfolio of office, storage, retail and industrial properties valued at \$2.3 billion as well as a \$0.3 billion pipeline of residential developments. Abacus operates under an internalised management structure.

Investec Australia Property Fund

- 6 Investec is an Australian domiciled fund that is listed on the Johannesburg Stock Exchange and the ASX. Its current portfolio consists of 28 office and industrial properties primarily located throughout Australia (the fund owns one office property in Wellington, New Zealand) which as at 31 March 2019, was valued at approximately \$1.1 billion.

APN Industria REIT

- 7 APN Industria (previously known as Industria REIT) is an ASX listed REIT that owns interests in office and industrial properties that provide functional and affordable workspaces for business. Its current property investment portfolio consists of 23 properties located across the major Australian cities valued at \$740 million. APN Industria is externally managed by APN and is governed by a majority independent board.

Appendix E

Office A-REITs

Cromwell Property Group

- 8 Cromwell is a global real estate investment manager with approximately \$11.9 billion of AUM across Australia, New Zealand and Europe. The group also owns a direct Australian property investment portfolio, which comprises 21 properties valued at \$2.5 billion (as at 30 June 2019). Cromwell's property portfolio is focused towards the office sector on the east coast of Australia.

Centuria Metropolitan REIT

- 9 Centuria Metropolitan is an externally managed REIT that focuses on acquiring office properties in metropolitan markets across Australia that deliver stable and predictable rental income with opportunity for capital growth. As at 30 June 2019, Centuria Metropolitan portfolio comprised 20 properties located across metropolitan and CBD markets in Sydney, Brisbane, Wollongong, Canberra, Melbourne, Adelaide and Perth with a value of \$1.4 billion. On 18 September 2019, Centuria Metropolitan announced the acquisition of interests in two A-grade office properties for \$380.5 million and an underwritten equity raising to raise approximately \$273 million.

GDI Property Group

- 10 GDI is an integrated internally managed property and funds management group with capabilities in ownership, management, refurbishment, leasing and syndication of office properties. As at 30 June 2019, the group's property portfolio comprised five office properties / complexes in Perth, Townsville and Surfers Paradise valued at \$768.5 million. GDI also manages a number of unlisted and unregistered managed investment schemes.

Australian Unity Office Fund

- 11 Australian Unity is an ASX listed REIT that owns nine office properties located across metropolitan and CBD markets in Sydney, Melbourne, Brisbane, Adelaide and Canberra. As at 30 June 2019, the fund's property portfolio had a combined value of some \$668 million. Australian Unity Investment Real Estate Limited externally manages the fund. On 2 September 2019, following a period of due diligence, Charter Hall and Abacus entered into a binding Scheme Implementation Agreement to jointly acquire all of the units in Australian Unity that they do not already hold for \$3.04 cash per unit.

Industrial A-REITs

Goodman Group

- 12 Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom and North America. The group is the largest industrial property group listed on the ASX and is one of the largest listed specialist investment managers of industrial property globally. As at 30 June 2019, Goodman Group had AUM of \$46.2 billion, a direct property portfolio valued at \$1.8 billion (primarily located in Sydney) and a development pipeline on global projects of \$4.1 billion.

Appendix E

Centuria Industrial REIT

- 13 Centuria Industrial (previously 360 Capital Industrial Fund) is an externally managed REIT that focuses on investment in industrial properties (principally warehouse and logistics) in Australia. As at 30 June 2019, Centuria Industrial's property portfolio comprised 43 industrial properties geographically diversified across Australia with a value of \$1.2 billion.

Appendix F

Glossary

Term	Meaning
Abacus	Abacus Property Group
Acacia Ridge	56 & 69 Peterkin Street, Acacia Ridge
AFCA	Australian Financial Complaints Authority
AGB	Australian Government Bonds
AGM	Annual general meeting
Agreement	Scheme implementation agreement between GDF and GCM
ANZ	Australia and New Zealand Banking Group Limited
APG	Aventus Property Group Limited and its subsidiaries
APN	APN Property Group
APN Industria	APN Industria REIT
Archerfield	839 Beaudesert Road, Archerfield
A-REIT	Australian real estate investment trust
Arena	Arena REIT
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AUD / A\$	Australian dollar
AUM	Assets under management
Australian Unity	Australian Unity Office Property Fund
Aventus	Aventus Retail Property Fund
Berrinba	Construction project at 1-9 Huntress Street, Berrinba
Botanica 9	588 Swan Street, Richmond
CAGR	Compound annual growth rate
CAPM	Capital asset pricing method
CBD	Central business district
Centuria	Centuria Capital Group
Centuria Industrial	Centuria Industrial REIT
Centuria Metropolitan	Centuria Metropolitan REIT
CFS	CFS Retail Property Trust
Charter Hall	Charter Hall Group
Corporations Act	<i>Corporations Act 2001</i> (Cth)
cpu	Cents per unit
Cromwell	Cromwell Property Group
DA	Depreciation and amortisation
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
ESP	Employee Security Plan
ESR	ESR Real Estate (Australia) Pty Limited
EV	Enterprise value
FFO	Funds from operations
Folkestone	Folkestone Limited
FSG	Financial Services Guide
FUM	Funds under management
FY	Financial year
GAV	Gross asset value
GCL	GARDA Capital Limited
GCM	Garda Capital Group, which comprises GCL and its subsidiaries and GCM

Appendix F

Term	Meaning
GCT	GARDA Capital Trust
GDF / the Fund	GARDA Diversified Property Fund
GDI	GDI Property Group
GF	GARDA Finance Pty Ltd
GFC	Global financial crisis
GHL	GARDA Holdings Limited
GPG	GARDA Property Group
Growthpoint	Growthpoint Properties Australia Limited
Heathley	Heathley Limited
HGT Investments	HGT Investments Pty Ltd
IER	Independent expert's report
Investec	Investec Australia Property Fund
IOMH	Investa Office Management Holdings
Kiwi	Kiwi Income Property Trust
LEA	Lonerган Edwards & Associates Limited
LVR	Loan to value ratio
Morningside	Industrial property located at 326 & 340 Thynne Road, Morningside
Mr Madsen	Mr Matthew Madsen
MRP	Market risk premium
NAV	Net asset value
NLA	Net lettable area
Non-Associated GDF Unitholders	Unitholders in GDF that are not associated with GCM
NPV	Net present value
NTA	Net tangible assets
NZD / NZ\$	New Zealand dollar
Proposal	The acquisition by GDF of 100% of GCM by way of the Schemes
PV	Present value
QLD	Queensland
RE	Responsible Entity
REIT	Real estate investment trust
Related Party Securityholders	Mr Madsen, Mr Mark Hallett and Mr Philip Lee
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Schemes	Inter-conditional scheme of arrangement and trust scheme to effect the Proposal
sqm	Square metre
St George	St George Bank Limited
TV	Terminal value
VIC	Victoria
VWAP	Volume weighted average trading price
WACC	Weighted average cost of capital
Wacol	Construction project at 498 Progress Road, Wacol
WALE	Weighted average lease expiry
WANOS	Weighted average number of shares outstanding
Westfield Group ANZ	Westfield Group's Australian / New Zealand business
WRT	Westfield Retail Trust



GARDA

10

TAXATION



The Directors
GARDA Capital Limited
As Responsible Entity for the GARDA Diversified Property Fund
Level 21, 12 Creek Street
Brisbane QLD 4000

19 September 2019

Dear Directors

GARDA Diversified Property Fund Australian Taxation Report

We have been requested by GARDA Capital Limited (**GCL**) as responsible entity of the GARDA Diversified Property Fund (**GDF**) and Garda Holdings Limited (**GHL**) (together, the **GARDA Property Group**) to prepare a Taxation Report (the **Report**) to be included in the Notice of Meeting and Explanatory Memorandum dated on or around 27 September 2019 (**Booklet**).

The taxation information provided below is intended only as a brief guide. It does not constitute tax advice and should not be relied upon as such. This Report outlines the general Australian taxation implications for GDF Securityholders in respect of the proposed internalisation of GDF's management (**Internalisation**).

GDF Securityholders are those with a registered address in Australia or New Zealand on the Stapling Record Date. GDF Securityholders with a registered address outside of Australia or New Zealand (**GDF Foreign Securityholders**) are ineligible to participate in the Internalisation, and the GDF Stapled Securities to which they would otherwise be entitled (including their GDF Units) will be sold through a Sale Facility and the proceeds remitted to the GDF Foreign Securityholders. GDF Foreign Securityholders who choose not to participate in the Sale Facility may sell their GDF Units until the last day of ASX trading in Existing Units.

The information provided in this Report considers the Australian tax implications for GDF Securityholders and GDF Foreign Securityholders who are individuals, complying superannuation entities and companies who hold their investments on capital account. This Report does not address the Australian tax consequences for GDF Securityholders and GDF Foreign Securityholders in the following circumstances:

- GDF Securityholders and GDF Foreign Securityholder who hold their investments on revenue account or as trading stock; or
- who are exempt from Australian income tax; or
- are subject to the Taxation of Financial Arrangements (**TOFA**) rules in Division 230 of the Australian Tax Act.

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The information contained in this letter does not constitute "financial product advice" within the meaning of the *Corporations Act 2001 (Cth)* (**Corporations Act**). The PricewaterhouseCoopers Partnership, which is providing this Report, is not licensed to provide financial product advice under the Corporations Act. To the extent that this Report contains any information about a "financial product", within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product.

This summary has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient of the Booklet. Accordingly, any recipient should, before acting on this material, consider taking independent financial advice from a person who is licensed to provide financial product advice under the Corporations Act.

Terms used in this Report, unless stated otherwise, are defined in the same way as they are in Section 13 of the Booklet.

The comments in this letter are based on the relevant taxation laws in the *Income Tax Assessment Act 1936 (ITAA 1936)*, the *Income Tax Assessment Act 1997 (ITAA 1997)*, the *Income Tax Rates Act 1986*, *A New Tax System (Goods & Services Tax) Act 1999*, the *Taxation Administration Act 1953* and relevant stamp duty legislation (referred to collectively herein as "**the Australian Tax Act**") as at the date of this Booklet and the associated administrative instruments, except where otherwise indicated.

The information below is based on existing tax law and established interpretations as at the date of this letter. The taxation of attribution managed investment trusts (**AMIT**) can be complex and may change over time. Accordingly, GDF Securityholders are recommended to seek professional taxation advice in relation to their own position.

1 Internalisation

The proposed Internalisation steps are detailed in Section 2 of the Booklet.

2 Summary of the key tax consequences of the Internalisation for GDF Securityholders and GDF Foreign Securityholders

2.1 GDF Securityholders

No adverse income tax consequences are expected to arise for GDF Securityholders in respect of the Internalisation.

Under the Internalisation, GDF Securityholders will receive a distribution of GHL Shares, which will be treated as a return of capital. This distribution will result in a cost base reduction in the GDF Units held by the GDF Securityholders, equal to the value of the GHL Shares. As the value of the GHL Shares is expected to be a nominal amount, the corresponding reduction in the cost base of GDF Units held by the GDF Securityholders should be a nominal amount.

The CGT acquisition date of the GHL Shares will be the date of acquisition. This is relevant for those GDF Securityholders who are eligible for the CGT discount.

2.2 GDF Foreign Securityholders

The GDF Stapled Securities (including GDF Units) that GDF Foreign Securityholders would otherwise be entitled to will be disposed of through the Sale Facility. The consideration received by the GDF Foreign Securityholders will represent the sale proceeds arising from the disposal of their GDF Units. Provided that the GDF Units are not regarded as 'taxable Australian property', any capital gain or capital loss should be disregarded.

3 Outline of the tax consequences of the Internalisation for GDF Securityholders

An outline of the Australian taxation implications of the Internalisation for GDF Securityholders covered by this Report is provided below.

GDF has applied to the ATO for a binding Class Ruling for the benefit of GDF Securityholders which seeks to provide confirmation in respect of the tax implications of the return of capital made in connection with the distribution of GHL Shares and the stapling, unstapling and re-stapling of GDF Units to GHL Shares. The ATO has provided GDF with a draft Class Ruling, which is consistent with the comments contained in this Report. The draft Class Ruling is not legally binding on the ATO and only a final Class Ruling (which will be issued shortly after the Internalisation has been implemented) can be relied upon by GDF. Although it is not expected to be the case, when the final Class Ruling is issued by the ATO, it is possible that it may express a view contrary to that set out in the draft Class Ruling. When the final Class Ruling is released, it is expected to be available on the ATO website at www.ato.gov.au, and will also be made available on the GARDA website.

3.1 Distribution of GHL Shares

Cost base in GDF Units

The cost base implications for a GDF Securityholder's GDF Units as a result of the distribution of GHL Shares is provided below.

Details of the cost base implications for GDF Securityholders will also be provided on GARDA's website.

Cost base in GDF Units – resident GDF Securityholders

The distribution of shares in GHL by GCL as responsible entity of GDF to GDF Securityholders (the **Distribution**) should not be included in the assessable income of GDF Securityholders, on the basis that the whole amount of the distribution will be treated as a return of capital.

The Distribution should reduce the cost base that GDF Securityholders have in their GDF Units. Each GDF Securityholder will receive one GHL Share for each unit that they hold in GDF as at the Stapling Record Date. The GHL Shares are expected to be issued with a nominal value of \$0.0001 per share, such that the return of capital that is made as a result of the Distribution is equal to the sum of the issued shares in GHL.

As the amount of the Distribution is therefore expected to be minimal, there should be no material

capital gain (if any) derived by the GDF Securityholders under CGT event E10.

However, to the extent that the Distribution exceeds a GDF Securityholder's cost base in their GDF Units, that GDF Securityholder will realise a capital gain equal to the excess. If a capital gain does arise, the date of the capital gain will be just before the end of the income year in which the Distribution is paid rather than the time of the actual Distribution. GDF Securityholders who realise a capital gain may be entitled to a CGT discount provided that they have held their GDF Units for at least 12 months before the date of the capital gain. A CGT discount is only available to individuals and trusts (50% discount), and complying superannuation funds (33.33% discount). Companies are not entitled to the CGT discount.

Overall, the cost base of the units held by GDF Securityholders prior to the Internalisation should equal the cost base of the GDF Units and GHL Shares which are stapled together as one security following the Stapling. The cost base of the units held by GDF Securityholders prior to the Internalisation is spread across the GDF Units and GHL Shares that are stapled together, with the amount that is apportioned to the GHL Shares being equal to the return of capital made as a result of the Distribution.

Cost base in GDF Units – non-resident GDF Securityholders

The cost base implications for non-resident GDF Securityholders should be similar to those that apply for resident GDF Securityholders.

To the extent that the Distribution exceeds a GDF Securityholder's cost base in their GDF Units, that GDF Securityholder will realise a capital gain equal to the excess, with the time of the capital gain being just before the end of the income year in which the Distribution is paid.

However, any capital gain made by non-resident GDF Securityholders should be disregarded provided that the GDF Unit is not taxable Australian property.

A GDF Unit will be taxable Australian property if:

- more than 50% of the value of GDF is attributable to Australian real property (which is the case) and the interest passes the non-portfolio test just before the CGT event or throughout a 12 month period that began no earlier than 24 months before that time. An interest held by an entity in another entity passes the non-portfolio interest test at a time if the sum of the "direct participation interests" held by the first entity and its associates in the other entity at that time is 10% or more; or
- the units are used by the GDF Securityholder in carrying on a business through a permanent establishment in Australia; or
- the GDF Securityholder made an election to treat the units as taxable Australian property at the time they ceased to be an Australian resident (if the GDF Securityholder was ever an Australian resident).

Non-residents are not entitled to the CGT discount for capital gains. Therefore, to the extent that a GDF Unit is taxable Australian property and a non-resident GDF Securityholder makes a capital gain



as a result of the Distribution, the non-resident GDF Securityholder should not be eligible for a CGT discount.

Cost base in GHL Shares

The cost base implications for the GHL Shares as a result of the Distribution are set out below.

Resident GDF Securityholders

The cost base that the GDF Securityholders will have in the GHL Shares that they receive will be equal to the market value of GHL Shares at the time the Internalisation is implemented which is expected to be on or about 28 November 2019. It will be necessary for GDF Securityholders to apportion the total cost base across the total number of GHL Shares they acquire to determine their cost base per GHL Share. The cost base per GHL Share is expected to be \$0.0001.

The date of acquisition of the GHL Shares for CGT purposes will be the date of the Distribution, i.e. the date on which the shares are distributed to the GDF Securityholders.

Non-resident GDF Securityholders

The cost base implications for non-resident GDF Securityholders should be similar to those that apply for resident GDF Securityholders.

However, GHL Shares should not be taxable Australian property, as the value of real property which is expected to be attributable to GHL (as held by any of its subsidiaries post the Internalisation) should be not more than 50% of the value of the total assets of GHL. Accordingly, non-residents should not be subject to CGT on any future disposal of their GHL Shares.

3.2 Stapling, unstapling and re-stapling of GDF Units to GHL Shares

No tax consequences should arise from the stapling, or the unstapling and re-stapling of GDF Units and GHL Shares as part of the Internalisation, for either resident or non-resident GDF Securityholders.

4. GDF Foreign Securityholders - disposal of GDF Stapled Securities through the Sale Facility

The existing GDF Units held by GDF Foreign Securityholders will be transferred to an appointed nominee (**Sale Nominee**) to be sold through the Sale Facility. GDF Foreign Securityholders will not be distributed GHL Shares, as the GHL Shares to which they would otherwise be entitled will be distributed to the Sale Nominee. The Sale Nominee will dispose of the GDF Stapled Securities (including GDF Units) that would otherwise have been held by the GDF Foreign Securityholders via the Sale Facility after the implementation of the Internalisation. The sale proceeds will be remitted to each GDF Foreign Securityholder.

The sale proceeds from the sale of the GDF Stapled Securities will represent the consideration received by the GDF Foreign Securityholders for the disposal of their GDF Units.

Any capital gain realised on the disposal of GDF Units by GDF Foreign Securityholders should be exempt from Australian tax where the GDF Units are not taxable Australian property, e.g. their holding of GDF Units (together with associates) is less than 10% of GDF (both at the time of disposal through the Sale Facility and in any 12 month period in the 24 months prior to the time of disposal).

Under the foreign resident capital gains tax withholding rules, a purchaser of certain taxable Australian property from foreign residents must withhold 12.5% of the gross sale proceeds (as a non-final withholding tax) and remit this to the ATO. The obligation applies to a transaction involving, for example, the acquisition of an indirect Australian real property interest, such as a membership interest in a 'land-rich' company or trust. On-market transactions however, are excluded from the withholding regime, and therefore the regime should not apply to the disposal of GDF Stapled Securities by the appointed Sale Nominee through the Sale Facility.

5 Holding of GDF Stapled Securities

Following Stapling as part of the Internalisation, GDF Securityholders will cease to hold only GDF Units, and instead will hold stapled securities, each security consisting of one GDF Unit being stapled to one GHL Share (the **GDF Stapled Securities**).

Although the GDF Stapled Securities will be stapled, GDF Securityholders will need to treat each component making up the GDF Stapled Security separately for tax purposes. That is:

- GDF Securityholders will receive, and separately deal with, the tax consequences of distributions from GDF and dividends from GHL; and
- when the GDF Stapled Securities are disposed of, the GDF Securityholders will have to separately consider the tax issues associated with the disposal of the GHL Shares and the GDF Units.

5.1 Taxation of GARDA Diversified Property Fund

Tax treatment of GARDA Diversified Property Fund

A trust may be liable for income tax in any year where the requirements to be classed as a public trading trust under Division 6C of the Australian Tax Act are satisfied for that year. Based on the information in this Booklet regarding the proposed activities of GDF, and the intentions of the responsible entity of GDF as expressed to us, GDF should not be regarded as a public trading trust. We note that the requirements for a public trading trust are ongoing so that the tax position of GDF in any year will depend on the actual operations of the trust in that year.

On the basis that Division 6C does not apply, GDF should be a "flow through" entity for tax purposes such that the net income of GDF will be taxable in the hands of the GDF Securityholders.

If GDF has taxable income, GDF Securityholders will generally be liable for tax on their share of the taxable income at their own applicable tax rates.

Provided GDF continues to fall outside the public trading trust rules in Division 6C, the trust should not be liable to tax in its own right.

Attribution MIT (AMIT)

GDF has elected to be treated as an AMIT for the financial year ended 30 June 2018 and for future financial years. GDF Securityholders will therefore be subject to tax on the income of GDF that is attributed to them under the AMIT rules for each financial year ending 30 June.

Where there are any variances in components of distributions of GDF (referred to as unders and overs) which are discovered in respect of prior income years (limited to a four year review period), the unders and overs are included in the taxable income of the investors of GDF under the AMIT rules for the year of discovery.

GDF has elected to treat eligible investments (such as units and real property) as being held on capital account which provides certainty on the tax treatment of disposals of these assets in that they will always be dealt with under the capital gains tax rules, rather than the ordinary income rules.

A withholding AMIT may also apply a concessional rate of withholding tax to fund payments made to non-resident GDF Securityholders located in an Exchange of Information jurisdiction.

Tax losses

Where a revenue loss or net capital loss is incurred by GDF, the loss must be quarantined within the trust and cannot be passed to GDF Securityholders for tax purposes. Instead, revenue tax losses will be carried forward and offset against assessable income derived by GDF in future years subject to satisfying the relevant trust loss recoupment tests.

Any net capital losses will be carried forward and offset against future capital gains derived by GDF. There are no restrictions on utilising carried forward net capital losses incurred by a trust.

Tax Treatment of GHL

Tax consolidated group

GHL will form a tax consolidated group with a wholly owned subsidiary prior to implementation of the Internalisation. As a result of the Internalisation, GCL and its subsidiaries will become members of the tax consolidated group formed by GHL. Post the Internalisation, GCL will continue its existing lines of business.

GHL will be liable to Australian income tax at the corporate rate (currently 30%, or at the rate of 27.5% where it qualifies as a 'base rate entity') on its taxable income. Under the single entity rule, members of the tax consolidated group will be treated as divisions or branches of GHL for tax purposes, and not as separate income tax entities. Intra-group transactions will therefore be ignored for income tax purposes, and the group will lodge a single income tax return.

5.2 Income Distributions from GDF

Resident GDF Securityholders

Under the AMIT regime, GDF Securityholders are taxed on their share of the taxable income of GDF

which is attributed to them for the relevant income year. This is regardless of whether the distributions are paid to GDF Securityholders, withheld or re-invested in additional GDF Units (which after the Internalisation would be as components of GDF Stapled Securities).

The amounts attributed to GDF Securityholders will be advised in an AMIT Member Annual Statement (**AMIT Statement**). The AMMA Statement will be issued to GDF Securityholders by 30 September following the end of the relevant financial year. It will contain details of the components of attributed amounts and tax information relating to the cost base of the GDF Securityholder's GDF Units.

The components of attributed amounts will include assessable income (such as net rental income, interest and net capital gains), and non-assessable amounts such as the AMIT CGT gross up amount.

Under proposals announced in the 2018-19 Budget on 8 May 2019 (and as revised at the 2018-19 MYEFO in respect of the commencement date), the Government intends to prevent MITs and AMITs from applying the 50% capital gains discount at the trust level. This measure is intended to apply from 1 July 2020 although draft legislation to enact this measure has yet to be released. If this measure is enacted, GDF will distribute gross capital gains as assessable amounts, such that the 50% capital gains discount is not applied, and non-assessable amounts will not include the AMIT CGT gross up amount. Although non-corporate GDF Securityholders may be entitled to claim a CGT discount on the gross capital gain, if this measure is enacted, it potentially may increase the income tax liability of non-corporate GDF Securityholders in respect of their investment in the GDF Stapled Securities.

The cost base of a GDF Securityholder's GDF Units will be increased by any assessable income (including capital gains) and any non-assessable non-exempt income which is attributed to them for the income year (**the AMIT cost base increase amount**), and reduced by any actual payments and any tax offsets for amounts attributed to the GDF Securityholder for the income year (**the AMIT cost base reduction amount**). Where the AMIT cost base reduction amount exceeds the AMIT cost base increase amount, the excess reduces the cost base of the GDF Units held by the GDF Securityholder (**AMIT cost base net amount – excess**). Where the AMIT cost base reduction amount is less than the AMIT cost base increase amount, the shortfall increases the cost base of GDF Units held by the GDF Securityholder (**AMIT cost base net amount – shortfall**).

If the cost base of GDF Units held by a GDF Securityholder is reduced to nil, any further reduction will result in a capital gain arising.

Cash distributions represented by tax deferred amounts attributable to returns of capital, building allowances, tax depreciation and other tax timing differences will be included in the AMIT cost base reduction amount. For CGT purposes, amounts of tax deferred distributions received will therefore reduce the cost base of GDF Units held by the GDF Securityholder and therefore affect the GDF Securityholder's capital gain/loss on disposal of the GDF Units. A GDF Securityholder will make an immediate capital gain to the extent a tax deferred distribution is more than the GDF Securityholder's cost base of the GDF Units.

Tax deferred distributions paid by an AMIT should result only in a reduction of the cost base of the GDF Units, even if the units are held by a GDF Securityholder on revenue account.

The AMIT CGT gross up amount is included in the AMIT cost base increase amount, and therefore does not reduce the cost base of GDF Units held by a GDF Securityholder for that component. If the 2018-19 Budget measure (see above) is enacted, the AMIT CGT gross up amount will no longer be

applicable.

Disposal of assets by GDF

Where an asset that is owned by GDF for at least 12 months is disposed of, GDF will receive a 50% discount on the capital gain realised. A GDF Securityholder will be required to gross up the discounted capital gain by doubling the amount, but may be entitled to claim the CGT discount in full if they are an Australian resident individual.

If, however, the 2018-19 Budget measure (see above) is enacted, GDF will no longer be entitled to claim a 50% CGT discount.

Non-resident GDF Securityholders

On the basis that the GDF is an AMIT (and also qualifies as a withholding AMIT), distributions that it makes that qualify as fund payments (a defined term) will be subject to specific withholding tax rules. A fund payment is any payment by the trustee from the net taxable income of GDF to GDF Securityholders reduced by the amount of any dividend, interest or royalties included in the amount. In practice a fund payment will represent the net rental income from properties held by the GDF (directly or indirectly) and capital gains (ignoring the AMIT CGT gross up amount) on disposal of those properties.

The trustee will generally be required to withhold from distributions to non-resident GDF Securityholders in respect of Australian sourced income (other than dividends, royalties and interest) as follows:

- For GDF Securityholders that provide an address or place of payment for the distribution in an information exchange country, the trustee will withhold tax at 15% from fund payments.
- For GDF Securityholders that provide addresses in non-information exchange countries, the rate of withholding applied will be 30%.

An information exchange country is a country specified as such in regulations issued under the tax law.

Where GDF Securityholders are tax resident in a country other than the information exchange country address provided to the trustee, further Australian tax obligations may arise for that GDF Securityholder.

Non-Australian tax resident GDF Securityholders should not be required to lodge an Australian tax return in respect of a trust distribution from a withholding AMIT that is subject to withholding tax. This is due to the withholding tax being a final tax for Australian taxation purposes.

Distribution components that are comprised of interest will generally be subject to a 10% final withholding tax.

5.3 Taxation of dividends from GHL

Resident GDF Securityholders

GDF Securityholders will include in their assessable income dividends paid by GHL.

Where dividends distributed by GHL to GDF Securityholders are franked, then (subject to a number of measures that may affect the ability of a GDF Securityholder to use franking credits distributed, including the 45 day holding period rule), the grossed up amount (i.e. the dividend plus the attached franking credit) is included in the GDF Securityholder's assessable income. The GDF Securityholder is then generally allowed a franking offset equal to the franking credit. Where the GDF Securityholder is an individual or a complying superannuation fund, the GDF Securityholder may be entitled to a refund to the extent that the franking credits attached to the GDF Securityholder's dividends exceeds the GDF Securityholder's tax liability for the income year.

Where the GDF Securityholder is a corporate shareholder, any franked dividends which the GDF Securityholder received will generally give rise to a franking credit in the GDF Securityholder's franking account.

Non-resident GDF Securityholders

Franked dividends distributed by GHL to non-resident GDF Securityholders should not be subject to dividend withholding tax.

Unfranked dividends should however be subject to dividend withholding tax at 30% unless a lower rate applies under a tax treaty.

6 Taxation on disposal of GDF Stapled Securities

Resident GDF Securityholders

For CGT purposes, the disposal of a GDF Security involves the disposal of two separate assets, being a unit in GDF and a share in GHL. Broadly, the GDF Securityholder must include any realised capital gain or loss on the disposal of their GDF Stapled Security in the calculation of their net capital gain or loss for the year. The tax consequences must be worked out separately for each component unit and share.

A GDF Securityholder will derive a capital gain on the disposal of the component units and shares to the extent that the capital proceeds on disposal exceed the CGT cost base of the component units and shares. A GDF Securityholder will incur a capital loss on the disposal of the component units and shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the component units and shares.

The capital proceeds received on the disposal of a GDF Stapled Security must be apportioned between the component units and shares on a reasonable basis. The CGT cost base of each component unit and share will include the amount paid to acquire the GDF Stapled Securities, together with any capital costs of acquisition or disposal, allocated to each component unit or share on a reasonable basis. The

cost base of each component unit will be reduced by any AMIT cost base net amount which are excess amounts.

For the purposes of allocating capital proceeds to each component unit or share, one basis of apportionment is to use the relative net asset value (**NAV**) of each entity.

All capital gains and capital losses arising in a year, including distributions of capital gains, are added together to determine whether a GDF Securityholder has derived a net capital gain or incurred a net capital loss in that year. If a GDF Securityholder derives a net capital gain in a year, this amount is, subject to the comments below, included in the GDF Securityholder's assessable income. If a GDF Securityholder incurs a net capital loss in a year, this amount is carried forward and is available to offset capital gains derived in subsequent years.

If the GDF Securityholder (being an individual) has held the GDF Stapled Securities for 12 months or more at the time of disposal (ignoring the day of acquisition and the day of disposal) and there is a net capital gain, a discount factor of 50% may be available to that individual. It is noted that GHL Shares will be taken to have been acquired at the time of acquisition of those shares and not at the time of the original acquisition date of the GDF Units.

Non-resident GDF Securityholders

Non-resident GDF Securityholders would generally be subject to the CGT rules on disposal of the GDF Stapled Securities (other than in respect of the shares in GHL, which should not be a land rich entity). A discounting factor is not available for non-resident investors. However, no Australian tax should be payable on capital gains made by non-resident GDF Securityholders from the disposal of their GDF Stapled Securities where their GDF Stapled Securities holding (together with associates) is less than 10% of GDF (both at the time of the CGT event and in any 12 month period in the 24 months prior to the CGT event).

As noted above in section 3, the foreign resident capital gains tax withholding rules should not apply to on market transactions. The disposal of GDF Stapled Securities by GDF Securityholders via the Australian Securities Exchange should therefore be excluded from the withholding regime

7 Goods and Services Tax (GST)

No GST will be charged to GDF Securityholders nor will any GST liability arise for GDF Securityholders (whether resident or non-resident) on any of the steps in the proposed transaction:

- the issue of GHL Shares and Distribution to GDF Securityholders will not be subject to GST as they will be either input taxed supplies (to resident GDF Securityholders) or GST-free supplies (to non-resident GDF Securityholders);
- the current and future distributions on GDF Stapled Securities will not be consideration for supplies for GST purposes; and
- the stapling steps will not amount to supplies for GST purposes.



8 Stamp Duty

No stamp duty should be payable by GDF Securityholders on the issue of units in GDF and shares in GHL or on the Distribution to GDF Securityholders.

Under the current stamp duty legislation, in the ordinary course no stamp duty should be payable on any subsequent trading of GDF Stapled Securities on the Australian Stock Exchange, provided the GDF Securityholder does not acquire (whether alone or together with associates) 90% or more of the GDF Stapled Securities.

9 Other issues

GDF Securityholders are not obliged to provide their TFN or ABN. However, if a GDF Securityholder does not provide their TFN, ABN or an exemption, tax may be withheld at a rate of 47% on any gross distributions made to them on their GDF Stapled Securities (with entitlement to claim an income tax credit in respect of the tax withheld).

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'Joshua Cardwell', written in a cursive style.

Joshua Cardwell
Partner
PricewaterhouseCoopers



GARDA

11

ADDITIONAL INFORMATION

11. Additional information

11.1. Existing management arrangements for the Fund

If the Internalisation is implemented, GDF Securityholders will effectively own the management entities and fees payable under the current structure will remain within the GARDA Property Group.

If the Internalisation does not proceed for any reason, the following management arrangements will remain in place.

Responsible entity

GCL is the responsible entity of the Fund. It carries out all the usual responsibilities of a trustee/responsible entity through the Board, in accordance with the Corporations Act, including overseeing investment and asset management of the Fund and its service providers, capital management, financial oversight and accounting, and liaison with investors.

GCL receives management fees from GDF of:

- 0.65% per annum of gross asset value (**GAV**) (while GDF has assets under \$750 million);
- the aggregate of 0.65% per annum of \$750 million and 0.60% per annum by which GAV exceeds \$750 million (when assets of GDF exceed \$750 million); and
- 5% of capital works undertaken by GDF in relation to the properties owned by it.

As responsible entity of GDF, GCL also has a right of indemnification for all other costs and expenditure properly incurred in connection with the management of GDF.

Management services

GCL RE, GRES and GARDA Services (among others) are parties to the Management Services Agreement.

GRES is a member of the GARDA Capital Group and holds a Queensland real estate licence no.260889. It has been managing the properties of the Fund since 2006.

GRES is engaged to provide property management services to the Fund, including:

- managing all leasing payments, outgoings and expenses;
- regular monitoring and reporting, as required for significant issues;
- acting as co-ordinating leasing agent on all new leases, lease renewals, monthly tenancy conversions and options;
- facilities management, including organisation of maintenance and repairs, to ensure the functionality of the properties of the Fund;
- engagement with service providers and contractors, on GDF's behalf;
- project management for capital expenditure projects;
- co-ordination of sales and acquisitions, in all jurisdictions; and
- communicating and liaising with the tenants and other stakeholders, such as utilities and councils.

GRES is entitled to the following fees, paid monthly, while engaged on Fund matters:

- a property management fee of up to 3% per annum of gross property income for tenants of the properties managed by it;
- a leasing fee for new tenants and renewals of leases by existing tenants, and market rent reviews; and
- sales fees for property divestments.

There are usual provisions for the reimbursement of expenses.

The Management Services Agreement can be terminated by either party on 90 days' notice, or immediately if there is a default notified which is not remedied within 14 days. It can also be terminated by GRES or GARDA Services, if GRES or GARDA Services is not able to provide the services for whatever reason. There are provisions for third-party dispute resolution in the event of a dispute, and GRES must keep all GDF information, including that relating to tenants, confidential.

GARDA Services is the entity which employs or engages personnel within the GARDA Capital Group. Personnel are deployed internally within the GARDA Capital Group (including to GCL RE and to GRES) under the Management Services Agreement for an internal service fee.

11.2. Implementation Deed

The Implementation Deed sets out the procedures to be followed to implement the Internalisation and other related matters. A fully copy of the Implementation Deed is attached to GDF's ASX announcement of 20 September 2019 (available on the ASX website at www.asx.com.au).

In addition to those elements of the Internalisation described elsewhere in this Booklet, the Implementation Deed deals with the matters summarised below:

Agreement to implement the Internalisation

The GARDA Capital Group agrees to propose the Schemes, and each party agrees to use reasonable endeavours to give effect to the Internalisation (including using best endeavours to ensure satisfaction of the Conditions) subject to the Implementation Deed.

Conditions

The implementation of the Internalisation is subject to a number of conditions precedent. A summary of the Conditions is as follows:

Conditions for the benefit of the GARDA Property Group and the GARDA Capital Group:

- before 8:00 am on the Second Court Date:
 - all regulatory approvals are received and not withdrawn, including all ASIC and ASX approvals;
 - ASX has given its approval for official quotation of the GDF Stapled Securities and approved the admission of GHL to the Official List;
 - the Resolutions are approved at the Meeting;
 - GCM Securityholders approve the resolutions put forward at the GCM Securityholder Meetings; and
 - all other approvals of third parties which the GARDA Capital Group and the GARDA Property Group agree are necessary or desirable to implement the Internalisation are received;
- the Court approves despatch of the Company Scheme booklet to GCM Securityholders and the convening of a GCM Securityholder Meeting to approve the Company Scheme pursuant to section 411(1) of the Corporations Act, and gives the 'First Judicial Advice' (as that term is defined in the Implementation Deed);
- the Stapling occurs before implementation of the Schemes on the Implementation Date;
- the Court approves the Company Scheme in accordance with section 411(4)(b) of the Corporations Act and gives the judicial advice in respect of the implementation of the Trust Scheme;
- no judgment, order, decree, statute, law, ordinance, rule or regulation, or permanent injunction, permanent restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other government agency of competent jurisdiction, remains in effect as at 8:00 am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the implementation of the Internalisation;

Conditions for the benefit of the GARDA Property Group

- the Independent Expert provides a report to GDF stating that in its opinion the Internalisation is fair and reasonable to GDF Securityholders other than Excluded Securityholders;
- no 'GCM Regulated Event' (as that term is defined in the Implementation Deed) occurs or becomes known to GARDA Property Group between the date of the Implementation Deed and 8:00 am on the Second Court Date;
- no 'GCM Material Adverse Change' (as that term is defined in the Implementation Deed) occurs or becomes known to GARDA Property Group between the date of the Implementation Deed and 8:00 am on the Second Court Date;
- the warranties given by the GARDA Capital Group under the Implementation Deed are true and correct as at the date of the Implementation Deed and as at 8:00 am on the Second Court Date;

Conditions for the benefit of the GARDA Capital Group

- the independent expert engaged by GCM provides a report to GCM stating that in its opinion the Internalisation is fair and reasonable to and in the best interests of GCM Securityholders;
- no 'GPG Regulated Event' (as that term is defined in the Implementation Deed) occurs between the date of the Implementation Deed and 8:00 am on the Second Court Date;
- no 'GPG Material Adverse Change' (as that term is defined in the Implementation Deed) occurs or becomes known to the GARDA Capital Group between the date of the Implementation Deed and 8:00 am on the Second

- Court Date; and
- the warranties given by the GARDA Property Group under the Implementation Deed are true and correct as at the date of the Implementation Deed and as at 8:00 am on the Second Court Date.

The Conditions relating to the Court approvals, approval of the Resolutions, GCM Securityholder approval and the Stapling cannot be waived.

Otherwise, the Conditions for the benefit of the GARDA Property Group may only be waived by the GARDA Property Group, and the same applies to Conditions for the benefit of the GARDA Capital Group. The Conditions for the benefit of both the GARDA Property Group and the GARDA Capital Group may only be waived with the written consent of both the GARDA Property Group and the GARDA Capital Group.

Obligations

The main obligation of each party under the Implementation Deed is to take all steps reasonably necessary to be performed by it to implement the Internalisation, including to:

- in relation to GARDA Property Group:
 - prepare, lodge with ASIC (if applicable) and despatch to GDF Securityholders this Booklet and the Prospectus, and include in the Booklet a recommendation the GDF Securityholders vote in favour of the Resolutions in the absence of a Superior Proposal;
 - apply for the admission of GHL to the Official List and the admission of all GHL Shares to quotation and trading on the ASX as a component of GDF Stapled Securities; and
 - convene the Meeting;
- effect the Stapling before implementation of the Schemes on the Implementation Date; and
- in relation to the GARDA Capital Group:
 - prepare the booklet for GCM Securityholders in respect of the Schemes, and include in the booklet a recommendation that GCM Securityholders vote in favour of the resolutions at the GCM Securityholder Meeting in the absence of a Superior Proposal;
 - apply to the Court for:
 - an order approving despatch of the Company Scheme booklet to GCM Securityholders and the convening of a GCM Securityholder Meeting to approve the Company Scheme pursuant to section 411(1) of the Corporations Act; and
 - the 'First Judicial Advice' (as that term is defined in the Implementation Deed);
 - convene the GCM Securityholder Meetings; and
 - apply to the Court for:
 - an order approving the Company Scheme in accordance with section 411(1B) of the Corporations Act; and
 - judicial advice that GFML as responsible entity of GCT would be justified in implementing the Trust Scheme.

Permitted distributions

The terms of the Implementation Deed allow GDF to declare and pay distributions to GDF Securityholders of \$0.0225 per GDF Unit per quarter until the Implementation Date, with a pro rata amount for the quarter in which the Internalisation is implemented.

GARDA Capital Group may also distribute to GCM Securityholders the amount of any distribution received or expected to be received on the Treasury Stock, and also the estimated net profit after tax of GCL in respect of the period between 1 July 2019 and the Implementation Date.

It is the intention that following implementation of the Internalisation, a further distribution will be paid to GDF Securityholders (including Scheme Securityholders) in respect of the balance of the quarter from implementation of the Internalisation.

Exclusivity

The Implementation Deed contains deal protection measures for both GARDA Property Group and the GARDA Capital Group during an exclusivity period, including restrictions on both GARDA Property Group and the GARDA Capital Group:

- from soliciting an approach in relation to a Competing Proposal; and
- from negotiating, discussing or entering into any arrangement regarding a Competing Proposal, subject to the fiduciary and statutory obligations of directors on the Independent Directors or GCM Board Committee (as applicable).

If a Competing Proposal emerges for GCM, GARDA Property Group has matching rights, allowing it to amend the terms of the Internalisation so that the terms it offers delivers a superior outcome for GCM Securityholders. GCM has an equivalent matching right.

Break fee

In recognition of the costs being incurred by all parties to pursue the Internalisation, GARDA Property Group and GARDA Capital Group may become obliged to pay a break fee of \$600,000 if a Competing Proposal is publicly recommended by the GCM Board Committee or the Independent Directors (as applicable).

The liability of GARDA Property Group and the GARDA Capital Group under the Implementation Deed is limited to the amount of the break fee that may be payable by it under the Implementation Deed, except in the case of fraud or wilful misconduct.

Termination Rights

GARDA Property Group or the GARDA Capital Group (**Terminating Party**) may terminate the Implementation Deed by notice in writing to the other group (**Other Group**) if certain events occur, including if:

- the Other Group is in material breach of the Implementation Deed and remains in breach of the relevant obligation three business days after receiving notice to remedy the breach from the Terminating Party;
- any Condition is not satisfied or waived, and the parties do not agree to amend the date for satisfaction of the Condition(s) or to an alternate means to progress the Internalisation;
- the Second Court Date does not occur by the date six months after the date of the Implementation Deed (or as otherwise agreed by GARDA Property Group and GARDA Capital Group);
- a “regulated event” or “material adverse change” arises under the Implementation Deed in relation to the Other Group;
- the board committee of the Other Group publically changes or withdraws its recommendation that securityholders of the Other Group approve the resolutions at the Meeting or the GCM Securityholder Meeting (as applicable), or otherwise endorses a Competing Proposal;
- (where GARDA Capital Group is the Terminating Party) a Superior Proposal is made which the GCM Board Committee publicly recommends, promotes or otherwise endorses in accordance with fiduciary or statutory obligations; and
- (where GARDA Property Group is the Terminating Party) GCM breaches its exclusivity obligations.

Limitation of liability

The liability of GCL RE and of GFML as responsible entity of GCT (**Relevant Responsible Entity**) arising under or in connection with the Implementation Deed is limited to and can be enforced against the Relevant Responsible Entity only to the extent to which it can be satisfied out of the assets of GDF or GCT (as applicable) out of which the Relevant Responsible Entity is actually indemnified for the liability, except where the liability arises as a result of the Relevant Responsible Entity's fraud, gross negligence or breach of trust. This limitation of each Relevant Responsible Entity's liability extends to all liabilities and obligations of the Relevant Responsible Entity in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Implementation Deed.

11.3. Stapling

The constitutions of both the Fund and GHL (which is described in Section 3 of the Prospectus) each contain ‘Stapling Provisions’ to ensure that each GDF Stapled Security is, to the extent permitted by law, treated as a single Stapled security.

The Stapling Provisions are consistent across the two constitutions, which are to be read subject to the Stapling Provisions (except to the extent that this would result in a breach of the Corporations Act, the Listing Rules or any other applicable law).

GCL RE and GHL have the power under the respective constitutions to determine if and when the Stapling Provisions will take effect. It is proposed that the ‘Stapling Commencement Date’ will occur as part of the Internalisation, following satisfaction or waiver of the Conditions described in Section 2.7.

The Stapling Provisions provide that:

- the holders of GDF Units and GHL Shares will be identical;
- to the extent permitted by law, GDF Stapled Securities will be treated as a single class of Stapled security;
- the number of GDF Units on issue at any time must equal the number of GHL Shares on issue;
- no transfer of a GDF Unit is to occur without a GHL Share being transferred at the same time from the same transferor to the same transferee (and vice versa); and
- no GDF Unit is to be issued unless a GHL Share is issued to the same person at the same time.

To effect the Stapling (and other 'Stapling Matters' under GDF's constitution), each GDF Securityholder irrevocably appoints under GDF's constitution GCL RE as their agent and attorney to, in the GDF Securityholder's name and on their behalf, do all acts and things and execute all documents which it consider necessary, desirable or reasonably incidental to effect any Stapling.

To give effect to the Stapling Provisions, GCL RE and the Fund will enter into a co-operation deed, on the following key terms:

- **(Stapling)** GDF Units and GHL Shares will be Stapled and remain so unless GCL RE and GHL determine otherwise.
- **(Dealings in GDF Stapled Securities)** Whilst GDF Units and GHL Shares are Stapled, they may not be dealt with separately.
- **(Co-operation and consultation)** GCL RE and GHL agree to share accounting and other information, and to co-operate in relation to the operation of the GARDA Property Group, including in relation to disclosure of information, the preparation of financial statements, meetings of members, the payment of distributions and other corporate actions.
- **(Financial benefits)** GCL RE and GHL agree that, while Stapling applies, and to the maximum extent permitted by law, if called upon by the other party it must, on the terms and conditions proposed by the other, provide financial benefits to or for the benefit of the other (including loans, guarantees, undertakings and indemnities), provided that:
 - doing so is in the best interests of GDF Securityholders as a whole; and
 - doing so would not cause a party to breach any contractual obligation to a third party.
- **(Duties)** When carrying out their duties, each party may consider the interests of GDF Securityholders as a whole, and not only the interests of the unitholders of GDF and the shareholders of GHL separately.
- **(Allocation of issue price)** The parties must agree what part of the amount payable for the issue, redemption or buy-back of a GDF Stapled Security is to represent the issue, redemption or buy-back price of each GDF Unit and GHL Share.
- **(Single register)** The parties may maintain a single register of holders of GDF Stapled Securities. Alternatively, if separate registers are kept, the parties must ensure that the registers are consistent.
- **(Dispute resolution)** If there is any dispute or disagreement arising in connection with the co-operation deed, each party must use its best endeavours to resolve the dispute or disagreement and negotiate in good faith prior to instituting proceedings.

11.4. GDF Foreign Securityholders

GDF has determined that GDF Foreign Securityholders are "Designated Foreign Investors" under GDF's constitution for the purposes of implementation of the Stapling, on the basis that it would be unreasonable to issue or transfer GHL Shares to GDF Foreign Securityholders, having regard to:

- the number of GDF Foreign Securityholders in the relevant foreign jurisdictions (other than New Zealand);
- the number and the value of GHL Shares that may be transferred to the GDF Foreign Securityholders in the relevant foreign jurisdictions; and
- the cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to the transfer of GHL Shares in the relevant foreign jurisdictions.

GDF Foreign Securityholders will not receive GHL Shares (or GDF Stapled Securities) in connection with the Internalisation (due to the above factors), but will instead have their GDF Units transferred to a sale nominee and the GDF Stapled Securities to which they would otherwise be entitled (including the GHL Shares) sold through the Sale Facility. This will mean that, immediately following the Internalisation, GARDA Property Group will not have any GDF Foreign Securityholders.

Sale proceeds will be paid by electronic funds transfer (if details are held by the Registry) or by cheque.

Participation in the Sale Facility is not available to GDF Securityholders (other than GDF Foreign Securityholders).

GDF Foreign Securityholders who do not wish to participate in the Sale Facility can sell their GDF Units until the last day of ASX trading in Existing Units, expected to be on or about 19 November 2019.

11.5. ASIC relief

GARDA Property Group has applied to ASIC for modifications and/or exemptions in relation to the following sections of the Corporations Act:

Stapling

- sections 601FC(1)(c), 601FD(1)(c), 601FC(1)(e), 601FD(1)(d), 601FD(1)(e) and 601FE(1) to enable GCL to consider the interests of GDF Securityholders as a whole rather than their interests solely as members of GDF;
- part 5C.7 to allow GCL to provide financial benefits out of scheme property to GHL and their wholly owned entities while the Stapling arrangements are in place;
- sections 708(13) and 1012D(3)(b) to permit GARDA Property Group to apply dividends and distributions payable in respect of each component of a GDF Stapled Security to the acquisition of additional GDF Stapled Securities without a further disclosure document being issued;
- section 1017E(2) to allow the GARDA Capital Group to use a single bank account in relation to application money received in respect of issues of GDF Stapled Securities;

Trust Scheme

- Part 7.9 to enable GCL RE to issue GDF Units under the Trust Scheme without preparing a product disclosure statement, and the on-sale of such GDF Units (as components of GDF Stapled Securities);
- Division 2 of Part 7.7 such that GCL RE is not required to issue a financial services guide in connection with this Booklet;
- Division 5A of Part 7.9 to enable GCL RE to make an offer that may potentially being characterised as unsolicited off-market offers to purchase GCT Units; and
- item 7, section 611 to permit holders of units in GCT not associated with the Fund to vote on the resolution under item 7, section 611 for the Trust Scheme. This is relevant to the meetings of GCM Securityholders being separately held in connection with the Internalisation;

Sale Facility

- section 601FC(1)(d) to the extent it would otherwise prevent GCL RE from dealing with GDF Foreign Securityholders in the manner contemplated in this Booklet; and

Prospectus

- sections 711(6) and 723(1) to facilitate the issue of the Prospectus without stating an expiry date, and without an application form accompanying it.

11.6. ASX waivers and confirmations

ASX has provided an in-principle decision to grant waivers and confirmations of the following Listing Rules as they apply to GHL and the Fund:

Waivers

Waivers from:

- Condition 8 of Listing Rule 1.1 to the extent necessary so that GHL does not need to comply with the spread requirements in that rule, on the condition that Stapling occurs, such that the parcel of GDF Stapled Securities has a value of at least \$2,000;
- Condition 9 of Listing Rule 1.1 to the extent necessary so that GHL does not need to satisfy the profit or assets test, on the condition that GHL and the Fund together satisfy one of the tests and Stapling occurs;
- Condition 2 of Listing Rule 2.1 to the extent necessary so that it is not necessary for each share in GHL to have an issue price or value of at least 20 cents, on the condition that Stapling occurs and the GDF Stapled Securities satisfy this requirement;

- Listing Rule 6.24 in respect of the requirement in clause 1 of Appendix 6A to allow GDF Group to provide ASX with an estimated dividend and distribution rate at the time of announcement on the condition that the actual rate is advised to ASX as soon as it becomes known;
- Listing Rules 7.1 and 10.11 to the extent necessary to allow GCL RE to issue new GDF Units pursuant to the Trust Scheme (including to related parties) without unitholder approval, on condition that GDF Securityholders provide all necessary approvals to implement the Internalisation and are provided with details of the Internalisation, including the issue of New GDF Stapled Securities, in the Booklet and accompanying documents;
- Listing Rule 8.10 to the extent necessary to permit GHL and GCL RE to refuse to register a transfer of quoted securities if it is not accompanied by a transfer of the other component of the GDF Stapled Security;
- Listing Rule 10.1 to the extent necessary to permit the transfer of 'substantial assets' between GHL and the Fund (and their respective wholly owned subsidiaries) without the need for GDF Securityholder approval, on condition that Stapling occurs, and neither GHL nor the Fund will issue any other equity securities that are not stapled to corresponding securities of the other component of the GARDA Property Group;
- Listing Rule 10.1 to the extent necessary to permit GHL to acquire the GCL Shares without GHL securityholder approval, on the condition that the Booklet and the Prospectus in the opinion of ASX satisfactorily disclose the terms of the Company Scheme and the Schemes are approved by GDF Securityholders for the purposes of Listing Rule 10.1;
- Listing Rule 14.11.1 to the extent necessary to permit the voting exclusion statement for Resolution 2 to omit the statement that the Fund must disregard votes cast by a party to the transaction, on condition that the voting exclusion statement contains a statement that the Fund will disregard votes cast by GCL, unless the votes cast on behalf of a person who is not GCL, or a related party or an associate of GCL, and who directs the holder of the units to vote for or against the resolution;

Confirmations

Confirmations that:

- ASX has no objection to the timetable for the Internalisation;
- based on the information provided, ASX is not aware of any reason why GHL would not be suitable for admission to the official list of ASX under Listing Rules 1.1 condition 1;
- no additional information is required to satisfy the ASX that each director of GHL is of good fame and character;
- the terms of the GDF Stapled Securities are appropriate for the purposes of Listing Rules 2.1 condition 1 and 6.1;
- GDF Stapled Securities will be considered 'equity securities' for the purpose of Listing Rule 19.12;
- ASX will permit stapling of GHL Shares and GDF Units and joint quotation of the GDF Stapled Securities, temporary un-stapling while the Schemes are implemented and, immediately following implementation of the Schemes, re-stapling of the GHL Shares and GDF Units and continued quotation of the GDF Stapled Securities, provided GHL provides to ASX an undertaking (and indemnity) confirming that the re-Stapling will occur; and
- ASX will not exercise its discretion to require unitholder approval under Listing Rule 11.1.2 in relation to the changes resulting from the Internalisation, nor require GDF to re-comply with the requirements in chapters 1 and 2 of the Listing Rules.

11.7. Further information about the Resolutions

The Internalisation is subject to approval of Resolutions 1 and 2, which are conditional upon each other (meaning if either of Resolution 1 or 2 is not passed then the Internalisation will not be approved).

Resolution 1 is an ordinary resolution generally approving the Internalisation and authorising GCL RE to do all things it considers necessary, desirable or reasonably incidental to give effect to the Internalisation.

Resolution 2 is an ordinary resolution approving the acquisition by GARDA Property Group of the GARDA Capital Group in accordance with the Schemes under and for the purposes of Listing Rule 10.1.

Listing Rule 10.1

Listing Rule 10.1 states that an entity must not acquire a substantial asset from, or dispose of a substantial asset to (amongst others) a related party, or a substantial securityholder, or associates of either without the approval of the holders of the entity's ordinary securities.

An asset is a "substantial asset" for the purposes of the Listing Rules if its value is more than 5% of the equity interests in GDF as set out in its latest accounts provided to the ASX under the Listing Rules.

The Internalisation involves an acquisition of Scheme Securities from related parties of GDF, namely the Related

Party Securityholders, and also a “substantial securityholder” of GDF, HGT Investments Pty Ltd. Further details of the GCM Securities held by the Related Party Securityholders are set out in Section 11.8.1.

The GCM Securities proposed to be acquired under the Schemes are a substantial asset as defined in Listing Rule 10.2.

Accordingly, Resolution 2 seeks the approval of the GDF Securityholders for the acquisition of the GCM Securities as required under Listing Rule 10.1.

The Independent Expert has, for the purpose of Listing Rule 10.1, concluded that the Internalisation is fair and reasonable to GDF Securityholders other than Excluded Securityholders, in the absence of a superior proposal.

Chapter 2E of the Corporations Act (as modified by Part 5C.7 for registered managed investment schemes)

Under the Schemes, GARDA Property Group will acquire all the Scheme Securities in consideration for the issue of the New GDF Stapled Securities to Scheme Securityholders, including the Related Party Securityholders. Pursuant to Part 5C.7 of the Corporations Act, these restrictions also apply (with some modification) to registered management investment schemes such as GDF.

Chapter 2E of the Corporations Act requires, unless an exception applies, GCL RE to obtain GDF Securityholder approval to implement the Schemes because it involves GCL RE giving a financial benefit to a related party, namely the Related Party Securityholders.

The Independent Directors have determined that the exception provided in section 210 of the Corporations Act applies, in that the issue of New GDF Stapled Securities to the Related Party Securityholders is on “arm’s length terms”.

11.8. Directors’ Relevant Interests and benefits

11.8.1. Directors’ interests in GCM and the Fund

The table below shows the Relevant Interests of each Director in:

- GDF Units at the date of this Booklet. GDF Units held at the Stapling Record Date will form part of GDF Stapled Securities if the Internalisation is implemented;
- GCM Securities at the date of this Booklet. GCM Securityholders (including these persons) who hold GCM Securities on the Schemes Record Date will receive New GDF Stapled Securities upon implementation of the Schemes; and
- GDF Stapled Securities following implementation of the Schemes, calculated on the basis of the GDF Units and GCM Securities held as at the date of this Booklet.

Director	No. GDF Units at the date of this Booklet (A)	No. GCM Securities at the date of this Booklet	% GDF Units on issue at the date of this Booklet	New GDF Stapled Securities on implementation of Schemes ¹ (B)	No. GDF Stapled Securities held after implementation of Schemes ² (A + B)	% GDF Stapled Securities after implementation of Schemes
Mr Matthew Madsen	146,401	5,526,879 ³	<0.1	8,843,006	8,989,407	3.95%
Mr Morgan Parker	-	-	-	-	-	-
Mr Mark Hallett	48,698	9,166,213 ⁴	<0.1	14,665,941	14,714,639	6.46%
Mr Philip Lee	61,628	97,000	<0.1	155,200	216,828	0.10%

Notes:

1. Figures are based on the number of GCM Securities held at the date of this Booklet multiplied by 1.6. If the Schemes are implemented, each GCM Securityholder will receive 1.6 New GDF Stapled Securities for each GCM Security held on the Schemes Record Date.
2. Assumes no changes in GDF Units or GCM Securities held between the date of this Booklet and implementation of the Internalisation.
3. GCM Securities of Mr Matthew Madsen include 600,000 GCM Securities subject to the terms of the GCM ESS. Further details regarding the treatment of the GCM ESS are set out in Section 11.8.4.
4. GCM Securities in which Mr Mark Hallett has a Relevant Interest comprise 8,512,552 held by M3SIT Pty Ltd (in its own right or as trustee), and 653,661 GCM Securities that Mr Mark Hallett otherwise has an economic interest in and/or controls. While Mr Hallett is a director and joint trustee of a shareholder of M3SIT Pty Ltd and has a Relevant Interest in the GCM Securities held by M3SIT Pty Ltd, M3SIT Pty Ltd is not considered a related party of GCL RE on the basis that that Mr Hallett does not control M3SIT Pty Ltd for the purposes of section 50AA of the Corporations Act.

11.8.2. Directors’ interests in agreements or arrangements relating to the Internalisation

Other than as set out in this Section or elsewhere in this Booklet:

- none of the directors on the Board has an interest in any contract entered into which is conditional on, or related

- to, the Internalisation; and
- there is no agreement or arrangement between any director on the Board and another person in connection with or conditional on the implementation of the Internalisation.

11.8.3. Remuneration of GARDA Property Group directors and senior management

The Directors are currently paid fees by the GARDA Capital Group. No changes to these arrangements are proposed in connection with the Internalisation.

Non-executive director remuneration

The amount of remuneration of the non-executive Directors is a yearly sum not exceeding the sum from time to time determined by the relevant public company at a general meeting.

The current maximum aggregate sum which GCM Securityholders have fixed to be paid as fees to the non-executive Directors is \$400,000 per annum, as approved at the 2014 annual general meeting. It is intended to seek approval of securityholders to increase the fee cap for non-executive directors of GARDA Property Group to \$600,000 per annum, providing further capacity to attract and retain addition non-executive directors as required.

The annual fee (including superannuation) paid to Mr Hallett is \$75,000, Mr Lee is \$70,000 and Mr Parker is \$70,000.

Remuneration for executive director

Mr Madsen is not an employee of the GARDA Capital Group. Rather, Mr Madsen provides his services to the GARDA Capital Group through a service contract with Madsen Advisory Pty Ltd (**Madsen Advisory**), an entity associated with Mr Madsen (**Madsen Advisory Agreement**).

The Madsen Advisory Agreement requires that Mr Madsen and Madsen Advisory perform the specified services with due skill and care, in accordance with the reasonable directions of the board of GCL.

Madsen Advisory is paid an annual fee of \$495,000. Mr Madsen was issued 600,000 GCM Securities on 13 November 2017 under the GCM ESS. The terms relating to these GCM Securities are described further in Section 11.8.4.

The Madsen Advisory Agreement can be terminated by the GARDA Capital Group on one years' notice (or immediately for fraud, gross negligence, misconduct or criminal offence), or by Madsen Advisory on six months' notice. There is a restraint on Mr Madsen and Madsen Advisory competing with GCL or its Subsidiaries or interfering with the relationship between the GARDA Capital Group and its staff, customers, suppliers or contractors for six months following termination.

Remuneration for other senior management

Senior management of GARDA Capital Group are engaged under employment or consultancy agreements which provide for an annual fixed remuneration. Senior managers may be paid discretionary bonuses from time to time, and have been invited to participate in the GCM ESS as described in Section 11.8.4.

Generally, these arrangements are terminable by the GARDA Capital Group or the senior manager on up to three months' notice.

11.8.4. GCM ESS

The GCM ESS was approved by GCM Securityholders and has allowed certain senior executives to apply for loans from GARDA Capital Group and acquire GCM Securities, following an offer from GCM (made in its absolute discretion).

The GCM Securities that have been issued to date under the GCM ESS do not '**vest**' under their terms of issue (and accordingly the relevant participant cannot voluntarily dispose of the GCM Securities, repay the principal loan and/or obtain an economic benefit from the GCM Securities upon disposal) until a minimum period of service has been achieved after the date the relevant GCM Securities were issued. GCM has a residual discretion to accelerate vesting in certain circumstances, including where there is a change of control of the GARDA Capital Group.

All current participants under the GCM ESS are charged interest at the FBT benchmark rate on the loan provided to acquire the GCM Securities.

Details of the current participants under the GCM ESS are set out in the following table:

Eligible person	Number of GCM Securities	Issue date	Issue price (loan funded)	Vesting date
Matthew Madsen	600,000	13 November 2017	\$1.00 per security	13 November 2020
Lachlan Davidson	100,000	13 November 2017	\$1.00 per security	13 November 2019 (ie. prior to

				implementation)
	100,000	13 November 2017	\$1.00 per security	13 November 2020 (vesting to be accelerated and occur on implementation)
	150,000	23 August 2019	\$1.95 per security	23 August 2021
Paul Brown	50,000	13 November 2017	\$1.00 per security	13 November 2019 (ie. prior to implementation)
	50,000	13 November 2017	\$1.00 per security	13 November 2020 (vesting to be accelerated and occur on implementation)
	150,000	23 August 2019	\$1.95 per security	23 August 2021
David Addis	200,000	3 June 2019	\$1.72 per security	3 June 2021
	150,000	23 August 2019	\$1.95 per security	23 August 2021
	150,000	23 August 2019	\$1.95 per security	23 August 2022
Paul Lohr	50,000	3 June 2019	\$1.72 per security	3 June 2021
	50,000	23 August 2019	\$1.95 per security	23 August 2021
Ikram Patel	50,000	3 June 2019	\$1.72 per security	3 June 2021
	50,000	23 August 2019	\$1.95 per security	23 August 2021
Mark Scammells	250,000	23 August 2019	\$1.95 per security	23 August 2021
	250,000	23 August 2019	\$1.95 per security	23 August 2022
Total	2,400,000			

Participants under the GCM ESS will be entitled to participate in the Internalisation, and receive New GDF Stapled Securities. A total of 3,840,000 New GDF Stapled Securities will be issued to Directors and senior management, replacing the GCM Securities issued under the GCM employee security plan.

It is intended that once the Schemes are implemented, the New GDF Stapled Securities issued will be subject to equivalent loan terms, vesting conditions, transfer restrictions and other terms that existed under the GCM ESS, except that the 300,000 outstanding GCM Securities (**Vested ESS Securities**) issued on 13 November 2017 under the GCM ESS will 'vest' on or before implementation, as reflected in the above table. This means that the 480,000 New GDF Stapled Securities issued as consideration for the Vested ESS Securities may be sold following implementation of the Internalisation, subject to the participant repaying the corresponding loan amount.

It is proposed that the shareholder of GHL will approve an employee security plan equivalent to the GCM ESS, the terms of which are set out in the GCM notice of annual general meeting dated 13 October 2017, available at www.asx.com.au, prior to implementation of the Schemes, and that these terms will apply to the New GDF Stapled Securities issued to the existing GCM ESS participants.

11.9. Privacy

Information gathered by GCL RE and GHL to implement the Internalisation or in relation to the Meeting may be personal information for the purposes of the Privacy Act. GCL RE and GHL (and the Registry on their behalf) will collect, hold and use that personal information to implement the Internalisation, service your needs as an investor, provide facilities and services that you request and administer the GARDA Property Group. The Corporations Act requires certain particulars of securityholders to be collected and maintained in a public register. Access to information may also be provided to GARDA Property Group's agents and service providers on the basis that they deal with such information as required by law. If you do not provide the information requested of you by the Registry, your Proxy Form may not be able to be processed. Under the Privacy Act, you may request access to your personal information held by (or on behalf of) GCL RE and GHL. You can request access to your personal information by telephoning or writing to GCL RE and GHL. You can access GARDA Property Group's privacy policy at www.gardacapital.com.au/privacy-policy/.

11.10. Trading on a deferred settlement basis

It is expected that trading of the GDF Stapled Securities, including New GDF Stapled Securities, on the ASX will commence on or about 20 November 2019 on a deferred settlement basis, and will continue until the commencement of normal settlement trading.

On the business day after GCL advises the ASX that initial holding statements have been dispatched to GDF Securityholders, which is expected to occur on or about 2 December 2019, normal settlement trading will commence.

It is the responsibility of each person who trades in the GDF Stapled Securities to confirm their holding before trading in the GDF Stapled Securities. If the GDF Stapled Securities are sold before receiving a holding statement, purchasers of these securities will do so at their own risk.

GARDA Property Group disclaims all liability, whether in negligence or otherwise, if a GDF Securityholder sells the GDF Stapled Securities before receiving a holding statement, even if the GDF Securityholder obtained details of their holding from the information line or confirmed their firm allocation through a broker.

11.11. Further information

Further information about the Fund, the GARDA Capital Group and the GARDA Property Group can be found on our website at www.gardacapital.com.au. All public reports and continuous disclosures will be accessible through this website.

If you have any queries about this Booklet or the Internalisation, you should contact the GDF Information Line on 1300 889 100.

If you are unclear in relation to any matter or uncertain as to the suitability of this investment for your personal circumstances, you should seek professional advice from your broker, lawyer, accountant or financial advisor.



GARDA

12

NOTICE OF MEETING

12. Notice of Meeting

Notice is given by GARDA Capital Limited ACN 095 039 366 (**GCL**) in its capacity as the responsible entity (**GCL RE**) of the GARDA Diversified Property Fund ARSN 104 391 273 (**GDF** or **Fund**) that a general meeting of unitholders will be held at Dexus Place, Level 31, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000 on Friday, 1 November 2019 at 10.00 am (AEST) (**Meeting**).

The Explanatory Memorandum forms part of this notice of meeting (**Notice of Meeting**) and should be read in conjunction with it. Unless otherwise defined in this Notice of Meeting, capitalised terms used in this Notice of Meeting have the same meaning given to them in the Glossary in Section 13.

In accordance with section 252S(1) of the Corporations Act and the Fund's constitution, GCL RE appoints Mr Philip Lee as Chair of the Meeting.

The Independent Directors recommend that GDF Securityholders vote in favour of all Resolutions in the absence of a Superior Proposal.

BUSINESS OF THE MEETING

Resolution 1 – General approval of Internalisation

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

That, subject to and conditional on the Resolution 2 set out in the Notice of Meeting being passed, the Internalisation, as described in the Explanatory Memorandum accompanying this Notice of Meeting, be approved and GARDA Capital Limited ACN 095 039 366 in its capacity as the responsible entity of the GARDA Diversified Property Fund ARSN 104 391 273 be authorised to do all things which it considers necessary, desirable or reasonably incidental to give effect to the Internalisation.

Resolution 2 – Approval of acquisition of GARDA Capital Group under Listing Rule 10.1

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

That, subject to and conditional on the Resolution 1 set out in the Notice of Meeting being passed, for and under Listing Rule 10.1, the acquisition of 100% of the units in GARDA Capital Trust ARSN 150 164 720 by the Custodian as custodian of the Fund, and 100% of the shares in GARDA Capital Limited ACN 095 039 366 by GARDA Holdings Limited ACN 636 329 774, be approved as part of the Internalisation as described in the Explanatory Memorandum accompanying this Notice of Meeting.

VOTING ENTITLEMENTS

GCL RE has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of GDF Securityholders as at **7.00pm (Sydney time) on Wednesday, 30 October 2019**. Transfers of GDF Units registered after that time will be disregarded in determining entitlements to vote at the Meeting.

If more than one joint holder of GDF Units is present at the Meeting (whether personally, by proxy, attorney or authorised representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

VOTING AT THE MEETING

A GDF Securityholder who is entitled to vote may vote on the items of business to be considered at the Meeting either in person at the Meeting or by completing and returning the Proxy Form enclosed with this Notice of Meeting.

If you attend the Meeting, you will need to register at the registration desk upon arrival on the day of the Meeting. The registration desk will be open from 9.30 am AEST.

VOTING PROCEDURE

Resolutions 1 and 2 are ordinary resolutions, and will be passed if more than 50 per cent of the votes cast by GDF Securityholders (in person or by proxy) entitled to vote on the Resolution are in favour of the Resolution.

The Chair of the Meeting intends to demand a poll on both Resolutions.

On a poll, every GDF Securityholder present in person or by attorney, proxy or authorised representative shall have one vote for each dollar of the value of the GDF Units held by him, her or it. The GDF Unit value will be measured by reference to the last sale price of GDF Units on the ASX on the last trading day before the Meeting.

VOTING BY PROXY

A GDF Securityholder who is entitled to vote at the Meeting has the right to appoint one or two proxies.

Where the GDF Securityholder appoints two Proxies, the appointment may specify the proportion or number of votes

that each Proxy may exercise. If the appointment does not specify a proportion or number, each Proxy may exercise one-half of the votes. Any fraction of votes will be disregarded.

A Proxy may be an individual or a body corporate and does not need to be a GDF Securityholder of the Fund. A body corporate appointed as a proxy may then nominate an individual to exercise its powers at the Meeting (see below).

Where a GDF Securityholder nominates the Chair of the Meeting as their proxy but does not indicate their voting intention, the Chair will (subject to law) vote the Proxy **in favour** of the Resolution.

The Proxy Form and the original power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by Link Market Services (the Registry), by no later than **10.00 am AEST on Wednesday, 30 October 2019**. The completed Proxy Form may be lodged:

By mail: GARDA Diversified Property Fund C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235	In person: Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138	By Facsimile: +61 2 9287 0309
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Or **online** at www.linkmarketservices.com.au using the directions on the back of the Proxy Form.

CORPORATE REPRESENTATIVES

A body corporate which is a GDF Securityholder, or which has been appointed as a Proxy, is entitled to appoint any person to act as its representative at the Meeting. The appointment of the representative must comply with the requirements of section 253B of the Corporations Act. The representative must bring to the Meeting a properly executed 'Certificate of Appointment of Corporate Representative' or other document confirming its authority to act as the company's representative. Details on how to obtain one are on the reverse of the Proxy Form.

VOTING EXCLUSION STATEMENT

GCL RE will disregard any votes cast in favour of Resolution 2 by GCL, unless the vote is cast on behalf of a person who is not GCL, or a related party or an associate of GCL, and who directs the holder of the units to vote for or against the resolution.

Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolutions if they have an interest in the resolution other than as a member, unless the vote is cast as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

On the basis of the above, GCL has determined that the Custodian of GCT will be excluded from voting on Resolutions 1 and 2.



GARDA

13

GLOSSARY

13. Glossary

In this Booklet:

Defined term	Definition
AAS	means the Australian Accounting Standards.
AASB	means the Australian Accounting Standards Board.
ABN	means Australian Business Number.
ACN	means Australian Company Number.
AEST	means Australian Eastern Standard Time.
AFSL	means Australian Financial Services Licence.
ARSN	means Australian Registered Scheme Number.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires.
Board	means the board of directors of GHL or GCL RE, as the context requires.
Booklet	means this Notice of Meeting and Explanatory Memorandum.
Company Scheme	means the acquisition by GHL of GCL by way of scheme of arrangement under Part 5.1 of the Corporations Act.
Competing Proposal	<p>means in relation to either GARDA Property Group or the GARDA Capital Group (including its Subsidiaries) (as applicable), any proposed transaction or arrangement which, if completed, would mean a third party would:</p> <ul style="list-style-type: none"> • directly or indirectly acquire or have a right to acquire an interest, a Relevant Interest in, or become the holder of: <ul style="list-style-type: none"> – 20% or more of the securities of GARDA Property Group or the GARDA Capital Group (or any material Subsidiary) (as applicable); or – the whole or a material part of the business or property of GARDA Property Group or the GARDA Capital Group (as applicable); • acquire control of GARDA Property Group or the GARDA Capital Group (as applicable); or • otherwise acquire, merge or amalgamate with GARDA Property Group or the GARDA Capital Group (as applicable) whether by way of takeover bid, a reverse takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure, other economic or synthetic merger or combination, joint venture, partnership or any other transaction or arrangement. <p>For the purposes of acquiring an interest in the business or property of the GARDA Property Group or the GARDA Capital Group (as applicable), it will be material if:</p> <ul style="list-style-type: none"> • the relevant Subsidiary, business or property contributes 20% or more of the consolidated net profit after tax of GARDA Property Group or the GARDA Capital Group (as applicable); or • the relevant Subsidiary, business or property represents 20% or more of the total consolidated assets of GARDA Property Group or the GARDA Capital Group (as applicable).
Condition	mean a condition to implementation of the Internalisation set out in Section 11.2.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Court	means the Supreme Court of Queensland or such other court of competent jurisdiction GARDA Property Group and the GARDA Capital Group may agree in writing.
Custodian	means The Trust Company (Australia) Limited ACN 000 000 993 in its capacity as custodian of GDF or GCT, as context requires.

Directors	mean the directors on the Board or Boards (as applicable).
Excluded Securityholders	means any person whose votes are to be disregarded. Details of voting exclusions are set out in the voting exclusion statement contained in the Notice of Meeting.
Existing Unit	means the GDF Units on issue at the Stapling Record Date.
Explanatory Memorandum	means the explanatory memorandum issued by GCL RE contained in this document.
FFO	means funds from operations.
Financial Information	means the GDF Standalone Financial Information, the GCM Standalone Financial Information and the GARDA Capital Group Consolidated Financial Information.
Financial Services Guide	means the financial services guide accompanying the Independent Limited Assurance Report.
FY17	means the financial year ended 30 June 2017.
FY18	means the financial year ended 30 June 2018.
FY19	means the financial year ended 30 June 2019.
FY20	means the financial year ending 30 June 2020.
FY20F	means a forecast amount in respect of FY20.
GARDA Capital Group or GCM	means GCL and GCT (including GFML as responsible entity, as context requires), currently listed on the ASX as a stapled entity under the code 'GCM'.
GARDA Finance	means GARDA Finance Pty Ltd ACN 104 184 367 (ACL 395123), a Subsidiary of GCL.
GARDA Property Group	means GHL, GDF (including the GCL RE and the Custodian as context requires) and their Subsidiaries from time to time.
GARDA Property Group Consolidated Financial Information	means the forecast financial information in respect of GDF, GCM and the GARDA Property Group, as set out in Section 7.5.
GARDA Services	means GARDA Services Pty Ltd ACN 109 910 894, a Subsidiary of GCL.
GCL	means GARDA Capital Limited ACN 095 039 366 (and if the context requires, includes GCL's Subsidiaries), which currently forms part of the stapled group listed on the ASX under the code 'GCM'.
GCL RE	means GCL in its capacity as responsible entity of the Fund.
GCL Share	means a fully paid ordinary share in GCL.
GCM Board Committee	means the committee of the boards of GCL and GFML as responsible entity of GCT established in connection with the Internalisation to represent GCM, comprising Matthew Madsen and Mark Hallett.
GCM Disclosure Document	means the combined product disclosure statement and prospectus for GCM issued by GCL and GFML in its capacity as responsible entity of GCT dated 9 June 2016, available at https://asx.com.au .
GCM ESS	means the employee security plan of the GARDA Capital Group adopted by GCM Securityholders on 13 November 2017.
GCM Foreign Securityholders	means a GCM Securityholder whose registered address on the register of GCM as at the Schemes Record Date is outside of Australia or New Zealand unless GCL RE is satisfied, acting reasonably, that the laws of the place permit the allotment and issue of GDF Stapled Securities to that person pursuant to the Schemes, either unconditionally or after

	compliance with conditions that GCL RE in its sole discretion regards as acceptable and not unduly onerous or impracticable.
GCM Information	means the information concerning GCM contained in Section 5 and the GCM Standalone Financial Information.
GCM Management Platform	means the real estate funds management and finance operations of GCM.
GCM Securities	means a stapled security comprising a GCL Share and a GCT Unit.
GCM Securityholder Meetings	means the meetings of GCM Securityholders to obtain approvals necessary to implement the Internalisation, expected to be held on or around 15 November 2019.
GCM Securityholders	means the holders of GCM Securities.
GCM Standalone Financial Information	means the financial information relating to GCM contained in Section 7.4.
GCT	means GARDA Capital Trust ARSN 150 164 720 and ABN 56 488 615 248, which currently forms part of the stapled group listed on the ASX under the code 'GCM'.
GCT Unit	means a fully paid ordinary unit in GCT.
GDF Foreign Securityholder	mean a GDF Securityholder whose registered address is outside of Australia and New Zealand.
GDF Information Line	means the information line for the Internalisation, being: Within Australia: 1300 889 100 Outside Australia: +61 1300 889 100
GDF or the Fund	means GARDA Diversified Property Fund ARSN 104 391 273, ABN 17 982 396 608, which is listed on the ASX under the code 'GDF'.
GDF Product Disclosure Document	means the product disclosure statement for the Fund dated 22 May 2015, available at https://asx.com.au .
GDF Securityholder	means a holder of GDF Units or, following Stapling, a holder of GDF Stapled Securities.
GDF Standalone Financial Information	means the financial information relating to GDF contained in Section 7.3.
GDF Stapled Security	means a stapled security comprising one GDF Unit and one GHL Share, stapled together as a result of the implementation of the Internalisation.
GDF Unit	means a fully paid ordinary unit in the Fund.
GFML	means GARDA Funds Management Limited ACN 140 857 405, a Subsidiary of GCL and the responsible entity of GCT.
GHL	means GARDA Holdings Limited ACN 636 329 774 (and if the context requires, includes GHL's Subsidiaries).
GHL Share	means a fully paid ordinary share in the capital of GHL.
GRES	means GARDA Real Estate Services Pty Ltd ACN 102 792 709, a Subsidiary of GCL.
GST	has the meaning given to that term in Section 195 – 1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> as amended.
Implementation Date	means the date the Internalisation is fully implemented, expected to be 29 November 2019.
Implementation Deed	means the deed between GCL RE, GHL, GCL (in its own right) and GFML as responsible entity of GCT which sets out the steps necessary to implement the Internalisation.
Independent Directors	means, as the context requires, independent director Morgan Parker and non-executive

	director Philip Lee, ²⁵ or the committee of the Boards comprising Morgan Parker and non-executive director Philip Lee.
Independent Expert or Lonergan Edwards	means Lonergan Edwards & Associates Limited ACN 095 445 560, AFSL 246532.
Independent Expert's Report	means the independent expert's report provided by the Independent Expert and included in Section 9.
Independent Limited Assurance Report	means the report prepared by the Investigating Accountant and contained as Annexure A to this Booklet.
Internalisation	means the proposal to internalise the management of GDF, including through the distribution of GHL Shares to GDF Securityholders, the stapling of GDF Units to GHL Shares to form GDF Stapled Securities, the acquisition by the GDF of GCT and the acquisition by GHL of GCL, as described in this Booklet.
Investigating Accountant or Pitcher Partners	means Pitcher Partners Corporate Finance Limited ABN 99 054 784 619, AFSL 255516.
Joint Information	means the information concerning the GARDA Property Group contained in Section 6 and the GARDA Property Group Consolidated Financial Information.
Listing Rules	means the official Listing Rules of ASX as amended or waived from time to time.
Management Services Agreement	means the agreement between GRES and GCL RE for the provision of real estate and property advisory and management services, details as described in Section 11.1.
Meeting	means the meeting of GDF Securityholders to consider the Internalisation to be held at 10.00 am AEST on Friday, 1 November 2019 at Dexus Place, Level 31, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000 and any adjournment of that meeting.
NAV	means net asset value.
New GDF Stapled Security	means a GDF Unit and a GHL Share to be issued to GCM Securityholders (who are registered holders recorded in the GCM register as at the Schemes Record Date, but excluding GCM Foreign Securityholders) as the Scheme Consideration, which will be stapled to form a GDF Stapled Security.
Notice of Meeting	means the notice of meeting set out in Section 12.
NTA	means net tangible assets.
Official List	means the official list of the ASX.
Privacy Act	means the <i>Privacy Act 1988</i> (Cth).
Prospectus	means the prospectus issued by GHL on or about the date of this Booklet, and any supplementary or replacement prospectus.
Prospectus Date	means 4 October 2019.
Proxy Form	means the proxy form accompanying this Booklet.
PwC	means PricewaterhouseCoopers ABN 52 780 433 757.
Registry or Link Market Services	means Link Market Services Limited ABN 54 083 214 537.
REIT	means real estate investment trust.

²⁵ Morgan Parker is an independent non-executive Director who was appointed on 13 December 2018. Philip Lee has been a non-executive Director since 21 May 2015. Mr Lee has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Mr Lee remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Mr Lee from bringing an independent judgement to bear on issues relating to the Internalisation.

Related Party Securityholders	means GCM Securityholders that are related parties of GCL RE within the meaning of the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Resolutions	means the resolutions set out in the Notice of Meeting.
Sale Facility	means the sale facility referred to in Section 11.4 of this Booklet relating to GDF Foreign Securityholders.
Scheme Consideration	means the consideration to be provided to GCM Securityholders under the terms of the Schemes.
Scheme Security	means a GCM Security held by a GCM Securityholder as at the Schemes Record Date.
Schemes	means the Company Scheme and the Trust Scheme.
Schemes Record Date	means the date and time which determines the entitlements of GCM Securityholders to New GDF Stapled Securities under the Schemes, expected to be on or around 7pm (Sydney time) on 22 November 2019.
Second Court Date	means the day on which the Court is requested to make the orders required to implement the Schemes.
Section	means a section of this Booklet.
Stapling	means the stapling of GDF Units to GHL Shares, such that the securities cannot be traded separately.
Stapling Commencement Date	means the date determined by GCL RE and GHL to be the day on which a GDF Unit and a GHL Share will become Stapled, if the Conditions are satisfied or waived, currently expected to be on or around 21 November 2019.
Stapling Record Date	means the date allocated by the Fund to determine which GDF Securityholders are eligible to receive the distribution of one GHL Share for each Existing Unit they hold from the Fund, expected to be on or around 21 November 2019.
Subsidiary	has the meaning given to it in the Corporations Act and, without limitation: <ul style="list-style-type: none"> • a trust may be a subsidiary of an entity, for the purpose of which a unit or other beneficial interest will be regarded as a share, and • an entity may be a subsidiary of a trust if it would have been a subsidiary if that trust were a body corporate.
Superior Proposal	means a bona fide Competing Proposal received by GARDA Property Group or the GARDA Capital Group (including its Subsidiaries) (as applicable) that the Independent Directors or GCM Board Committee (as applicable) determines, acting in good faith and in order to satisfy what the Independent Directors or GCM Board Committee (as applicable) considers to be its fiduciary or statutory duties (and after having obtained written advice from external legal and, if appropriate, financial advisers): <ul style="list-style-type: none"> • is capable of being valued and completed, taking into account all aspects of the Competing Proposal, including its conditions; and • would, if completed substantially in accordance with its terms, be more favourable to GDF Securityholders or GCM Securityholders (as applicable) than the Internalisation viewed in aggregate, taking into account all the terms and conditions of the Competing Proposal.
Taxation Report	means the report prepared by PwC and included in Section 10.
Treasury Stock	means the GDF Units (or, after implementation of the Stapling, GDF Stapled Securities) held by the Custodian in its capacity as custodian of GCT from time to time.
Trust Scheme	means the acquisition of GCT by the Custodian in its capacity as custodian of GDF with approval of GCT unitholders under item 7 of section 611 of the Corporations Act.
US Securities Act	means the <i>US Securities Act of 1933</i> (as amended).

WALE	means weighted average lease expiry (by income) measured in years.
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Corporate directory

GARDA Diversified Property Fund

ARSN 104 391 273
 ABN 17 982 396 608
 Level 21, 12 Creek Street
 Brisbane QLD 4000
www.gardacapital.com.au

Responsible entity

GARDA Capital Limited
 ABN 53 095 039 366
 AFSL 246714
 Level 21, 12 Creek Street
 Brisbane QLD 4000
www.gardacapital.com.au

Directors

Matthew Madsen
 Morgan Parker
 Mark Hallett
 Philip Lee

Company secretary

Lachlan Davidson

Share registry

Link Market Services Limited
 ABN 54 083 214 537
 Level 21, 10 Eagle Street
 Brisbane QLD 4000
www.linkmarketservices.com.au

Custodian

The Trust Company (Australia) Limited
 ABN 21 000 000 993
 Level 18, 123 Pitt Street
 Sydney NSW 2000

Financial adviser

Moelis Australia
 ABN 72 142 008 446
 Level 27, Governor Philip Tower, 1 Farrer Place
 Sydney, NSW, 2000
www.moelisaustralia.com

Australian legal adviser

Talbot Sayer Lawyers
 ABN 93 168 129 075
 Level 27, 123 Eagle Street
 Brisbane QLD 4000
www.talbotsayer.com.au

Investigating Accountant

Pitcher Partners Corporate Finance Limited
 ABN 99 054 784 619
 Level 38, 345 Queen St
 Brisbane City QLD 4000
<http://www.pitcher.com.au/>

Independent Expert

Lonergan Edwards & Associates Limited
 ACN 095 445 560
 Level 7/64 Castlereagh St
 Sydney NSW 2000
www.lonerganedwards.com.au

Tax adviser

PricewaterhouseCoopers
 ABN 52 780 433 757
 One International Towers Sydney
 Watermans Quay
 Barangaroo NSW 2000
www.pwc.com.au



GARDA

ANNEXURE A

Independent Limited Assurance Report and Financial Services Guide

27 September 2019

Board of Directors
GARDA Capital Group
Level 21
12 Creek Street
Brisbane Qld 4000

Board of Directors
GARDA Capital Limited
As Responsible Entity for GARDA Diversified Property Fund
Level 21
12 Creek Street
Brisbane Qld 4000

**Pitcher Partners Corporate Finance
Limited**

ABN 99 054 784 619

AFS LICENCE NO.255516

Real Estate
Licence (QLD) No. 3668087

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

Dear Sirs,

INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL BALANCE SHEET INFORMATION, PRO FORMA HISTORICAL BALANCE SHEET INFORMATION AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors of GARDA Capital Group ('GCM') and GARDA Capital Limited ('GCLRE') as Responsible Entity for GARDA Diversified Property Fund ('GDF') to report on certain financial information to be included in the GDF Meeting Booklet and the GCM Scheme Booklet (the 'Booklets') to undertake an internalisation between GCM, which comprises the stapled entity of GARDA Capital Limited ('GCL') and GARDA Capital Trust ('GCT') and GCLRE (the 'Internalisation'). These entities post Internalisation together will comprise the GARDA Property Group ('GPG').

Expressions and terms defined in the Booklets 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*. Pitcher Partners Corporate Finance Limited holds an appropriate Australian Financial Services Licence (AFS Licence Number 255516). Warwick Face is a Director and Authorised Representative of Pitcher Partners Corporate Finance Limited. We have included our Financial Services Guide as Part 2 of this report.

Scope

Historical Balance Sheet Information

Pitcher Partners Corporate Finance Limited has been engaged by the Directors to review:

- the GDF historical balance sheet as at 30 June 2019 as set out in Section 7.3.4 of the GDF Meeting Booklet and Section 7.3(d) of the GCM Scheme Booklet; and
- the GCM consolidated historical balance sheet as at 30 June 2019 as set out in Section 7.4.4 of the GDF Meeting Booklet and Section 7.4(d) of the GCM Scheme Booklet;

(together, the 'Historical Balance Sheet Information').

The Historical Balance Sheet Information has been extracted from the audited information of GDF and GCM as at 30 June 2019, which was audited by BDO Audit Pty Ltd in accordance with Australian Auditing Standards. BDO Audit Pty Ltd issued unmodified opinions on the respective financial reports.

The Historical Balance Sheet Information is presented in the Booklets in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards ('AAS') and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro forma Historical Balance Sheet Information

Pitcher Partners Corporate Finance Limited has been engaged by the Directors to review:

- the pro forma GDF historical balance sheet as at 30 June 2019 as set out in Section 7.3.4 of the GDF Meeting Booklet and Section 7.3(d) of the GCM Scheme Booklet;
- the pro forma GCM historical balance sheet as at 30 June 2019 as set out in Section 7.4.4 of the GDF Meeting Booklet and Section 7.4(d) of the GCM Scheme Booklet; and
- the pro forma historical balance sheet of GPG post implementation of the Internalisation as at 30 June 2019 (see column entitled 'GPG' as set out in Section 7.5.1 of the GDF Meeting Booklet and Section 7.5(a) of the GCM Scheme Booklet);

(together, the 'Pro forma Historical Balance Sheet Information').

The Pro forma Historical Balance Sheet Information has been derived from the Historical Balance Sheet Information, after adjusting for the effects of Pro forma adjustments described in Sections 7.3.4, 7.4.4, and 7.5.1 of the of the GDF Meeting Booklet and Sections 7.3(d), 7.4(d) and 7.5(a) of the GCM Scheme Booklet (the 'Pro forma Adjustments').

The Pro forma Historical Balance Sheet Information has been prepared in accordance with the recognition and measurement principles contained in AAS, which are consistent to International Financial Reporting Standards, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they occurred as at 30 June 2019.

Due to its nature, the Pro forma Historical Balance Sheet Information does not represent GDF's, GCM's or GPG's actual or prospective financial position. The Pro forma Historical Balance Sheet Information is presented in the Booklets in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Forecast Financial Information

Forecast Standalone Operating Income Statements

Pitcher Partners Corporate Finance Limited has been engaged by the Directors to review:

- the forecast operating income statement for GDF for the year ending 30 June 2020 as set out in Section 7.3.2 of the GDF Meeting Booklet and Section 7.3(b) of the GCM Scheme Booklet; and
- the forecast operating income statement for GCM for the year ending 30 June 2020 as set out in Section 7.4.2 of the GDF Meeting Booklet and Section 7.4(b) of the GCM Scheme Booklet;

(together, the 'Forecast Standalone Operating Income Statements').

The Directors' best-estimate assumptions underlying the Forecast Standalone Operating Income Statements are described in Section 7.6 of the GDF Meeting Booklet and Section 7.6 of the GCM Scheme Booklet. The stated basis of preparation used in the preparation of the Forecast Standalone Operating Income Statements are the recognition and measurement principles contained in AAS, and GDF's and GCM's adopted accounting policies.

Forecast Consolidated Operating Income Statement Post Internalisation

Pitcher Partners Corporate Finance Limited has been engaged by the Directors to review:

- the forecast consolidated operating income statement of GPG for the year ending 30 June 2020 as set out in Section 7.5.2 of the GDF Meeting Booklet and Section 7.5(b) of the GCM Scheme Booklet;
- (hereafter the 'Forecast Consolidated Operating Income Statement Post Internalisation').

The stated basis of preparation used in the preparation of the Forecast Consolidated Operating Income Statement Post Internalisation is the recognition and measurement principles contained in AAS and the GPG's adopted accounting policies. The Forecast Consolidated Operating Income Statement Post Internalisation has been derived from GDF's Forecast Standalone Operating Income Statement, the consolidation of the seven month period from 1 December 2019 to 30 June 2020 of GCM's Forecast Standalone Operating Income Statement, together with adjusting for the effects of the pro forma adjustments described in Section 7.5.2 of the GDF Meeting Booklet and Section 7.5(b) of the GCM Scheme Booklet.

Due to its nature, the Forecast Consolidated Operating Income Statement Post Internalisation does not represent GPG's actual prospective statutory financial performance for the year ending 30 June 2020.

Collectively, the Forecast Standalone Operating Income Statements, and the Forecast Consolidated Operating Income Statement Post Internalisation, are the 'Forecast Financial Information'.

The Forecast Financial Information is presented in the Booklets in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Historical Balance Sheet Information and Pro forma Historical Balance Sheet Information, including the selection and determination of Pro forma Adjustments made to the Historical Balance Sheet Information and included in the Pro forma Historical Balance Sheet Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro forma Adjustments made to the Forecast Standalone Operating Income Statements and included in the Forecast Consolidated Operating Income Statement Post Internalisation; and
- the information contained within the Booklets.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Balance Sheet Information, the Pro forma Historical Balance Sheet Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Historical Balance Sheet and Pro forma Historical Balance Sheet Information

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro forma Historical Balance Sheet Information based on the procedures performed and the evidence we have obtained.

Forecast Financial Information

Our responsibility is to express a limited assurance conclusion on the Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information themselves, based on our limited assurance engagement.

We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. Our review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that

might be identified in a reasonable assurance engagement. Accordingly we do not express an audit opinion.

Our procedures did not involve updating or re-issuing any previously issued audit report, nor issuing standalone review opinions on un-audited information, used as a source of the financial information.

Conclusions

Historical Balance Sheet Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Balance Sheet Information comprising:

- the GDF historical balance sheet as at 30 June 2019; and
- the GCM historical balance sheet as at 30 June 2019;

is not prepared and presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 7.2 of the GDF Meeting Booklet and Section 7.2 of the GCM Scheme Booklet.

Pro forma Historical Balance Sheet Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Balance Sheet Information comprising:

- the pro forma GDF historical balance sheet as at 30 June 2019;
- the pro forma GCM historical balance sheet as at 30 June 2019; and
- the pro forma historical balance sheet of GPG post implementation of the Internalisation as at 30 June 2019;

is not prepared and presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 7.2 of the GDF Meeting Booklet and Section 7.2 of the GCM Scheme Booklet.

Forecast Financial Information

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

- i. the Directors' best estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Forecast Financial Information;
- ii. in all material respects, the Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 7.6 of the GDF Meeting Booklet and Section 7.6 of the GCM Scheme Booklet;
 - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by GDF, GCM and GPG and the recognition and measurement principles contained in Australian Accounting Standards; or
- iii. the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by the management of GCLRE and GCM and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of GDF, GCM and GPG for the year ending 30 June 2020. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material. The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions 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 the management and the Directors. Evidence may be available to support the assumptions on which the forecasts are based, however, such evidence is generally future orientated 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. We do not express any opinion on the achievability of the results. 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 relating to an investment in in GPG, which are detailed in Section 8 of the GDF Meeting Booklet and Section 8 of the GCM Scheme Booklet, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks set out in Section 8 of the GDF Meeting Booklet and Section 8 of the GCM Scheme Booklet. The Forecast Financial Information are therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information 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 GCLRE and GCM, that all material information concerning the prospects and proposed operations of GDF, GCM and GPG has 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.

Restrictions on Use

Without modifying our conclusions, we draw attention to the Important Notices of the Booklets, which describes the purpose of the Historical Balance Sheets, the Pro forma Historical Balance Sheets and the Forecast Financial Information, being for inclusion in the Booklets. As a result, the Limited Assurance Report may not be suitable for use for another purpose.

Consent

Pitcher Partners Corporate Finance Limited has consented to the inclusion of this limited assurance report in the Booklets in the form and context in which it is included.

Liability

The liability of Pitcher Partners Corporate Finance Limited is limited to the inclusion of this report in the Booklets. Pitcher Partners Corporate Finance Limited makes no representation regarding, and has no liability for any other statement or other material in, or any omissions from the Booklets.

Disclosure of Interest

Pitcher Partners Corporate Finance Limited does not have any interest in the outcome of this Internalisation other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Yours faithfully

PITCHER PARTNERS CORPORATE FINANCE LIMITED



Warwick Face

Executive Director

Authorised Representative of

Pitcher Partners Corporate Finance Limited

Part 2: Financial Services Guide

Version dated: 27 September 2019

What is a Financial Services Guide?

This Financial Services Guide ("FSG") is an important document that is designed to assist you in deciding whether to use any of the general financial product advice provided by Pitcher Partners Corporate Finance Limited. The use of "we", "us" or "our" is a reference to Pitcher Partners Corporate Finance Limited as the holder of Australian Financial Services Licence ("AFSL") No.255516. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation
- to any general financial product advice we may provide.
- details of any potential conflicts of interest
- details of our internal and external dispute resolution procedures and
- how you can access them

Information about us

Pitcher Partners Corporate Finance Limited has been engaged by GARDA Capital Group and GARDA Capital Limited As Responsible Entity for GARDA Diversified Property Fund to provide general financial product advice in the form of a report to be given to you in connection with a financial product to be issued by another party. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are only responsible for the financial product advice provided in our report and for the contents of this FSG.

You may contact us by writing to GPO Box 1144, Brisbane Qld 4001, or by telephone on +61 7 3222 8444.

Pitcher Partners Corporate Finance Limited is ultimately owned by the Partners of the Queensland partnership of Pitcher Partners, a provider of audit and assurance, accounting, tax, corporate advisory, superannuation, investment advisory and consulting services. The majority of the Directors of Pitcher Partners Corporate Finance Limited are partners of Pitcher Partners.

The Queensland partnership of Pitcher Partners is an independent partnership of Pitcher Partners. As such, neither it nor any of the other independent partnerships has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the name "Pitcher Partners", or other related names.

The financial product advice in our report is provided by Pitcher Partners Corporate Finance Limited and not by the Queensland partnership of Pitcher Partners or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, we and the Queensland partnership of Pitcher Partners (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

We hold professional indemnity insurance as required by the *Corporations Act 2001* (Cth).

What financial services are we licensed to provide?

Our AFSL authorises us to provide general financial product advice and deal in the following classes of financial products to both retail and wholesale clients:

- Deposit products (including basic deposit products and deposit products other than basic deposit products)
- Derivatives
- Government debentures, stocks or bonds
- Interests in managed investment schemes including investor directed
- portfolio services
- Securities

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant Product Disclosure Statement ("PDS") or offer document provided by the issuer of the financial product. The purpose of the PDS or offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS or offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

The fees we charge for preparing reports are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of pocket expenses incurred in providing the services.

Fee arrangements are agreed and confirmed in a letter of engagement with the party or parties who engage us.

Neither Pitcher Partners Corporate Finance Limited nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any other fees, commissions or other benefits in connection with preparing and providing this report.

All of our employees receive a salary with partners also having an equity interest in the partnership. We do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. We are committed to responding to any complaints promptly, fairly and effectively. We have developed an internal complaint resolution policy and complaint handling procedures that are designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

Pitcher Partners Corporate Finance Limited
GPO Box 1144
Brisbane Qld 4001

If we are not able to resolve your complaint to your satisfaction within 45 days of the first notification of your complaint to us, you may contact the Australian Financial Complaints Authority ('AFCA'). AFCA provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to AFCA at:

Australian Financial Complaints Authority Limited
GPO Box 3
MELBOURNE VIC 3001
Telephone: 1300 780 808
Fax: +61 3 9613 6399
Internet: <http://www.afca.org.au>

The Australian Securities and Investments Commission ("ASIC") website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: info@asic.gov.au
Internet: <http://www.asic.gov.au/asic/asic.nsf>

If your complaint relates to a breach of our Privacy Policy or the Australian Privacy Principles, the matter should be referred to The Privacy Officer, GPO Box 1144, Brisbane Qld 4001.

Prospectus

Issued by GARDA Holdings Limited ACN 636 329 774

**in relation to the distribution of GHL Shares to unitholders of GARDA Diversified Property Fund
ARSN 104 391 273 in connection with the Internalisation**

This prospectus is an important document and should be read in its entirety, and also in conjunction with the Meeting Booklet. If you have any queries, you should consult an independent and appropriately licenced and authorised professional adviser.

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IMPORTANT NOTICES

This Prospectus is issued in relation to the in specie distribution of ordinary shares in GARDA Holdings Limited ACN 636 329 774 (GHL), as part of a proposal to internalise the management of GARDA Diversified Property Fund ARSN 104 391 273 (Fund or GDF). The proposal involves distributing GHL Shares to unitholders of the Fund (GDF Securityholders) by way of in specie distribution, stapling each GHL Share to each Existing Unit to form a GDF Stapled Security followed by the acquisition by GDF of GARDA Capital Trust ARSN 150 164 720 (GCT) and the acquisition by GHL of GARDA Capital Limited ACN 095 039 366 (GCL) under the Schemes (together, the Internalisation).

This Prospectus is an important document and should be read in its entirety, in conjunction with the Meeting Booklet, before GDF Securityholders decide how to vote at the Meeting.

The distribution of GHL Shares is subject to Conditions described in this Prospectus, including approval in respect of the Internalisation by GDF Securityholders. If the Conditions are not satisfied or waived, the Internalisation will not proceed, meaning that GHL Shares will not be distributed to GDF Securityholders, Stapling will not occur and the Schemes will not be implemented.

If you have any queries, you should consult an independent and appropriately licenced and authorised professional adviser.

Lodgement and Listing

This Prospectus is issued by GHL for the purposes of Chapter 6D of the Corporations Act. It provides GDF Securityholders with information about the GHL Shares that will be distributed to GDF Securityholders if the Conditions are satisfied and Stapling occurs in accordance with this Prospectus.

This Prospectus is dated 4 October 2019 (**Prospectus Date**) and was lodged with ASIC on that date.

GHL Shares will be distributed to GDF Securityholders on the basis explained in this Prospectus on the Stapling Commencement Date and, in any event, no GHL Shares will be distributed or issued under this Prospectus more than 13 months after the Prospectus Date.

If the Conditions are satisfied or waived, Existing Units will become stapled to GHL Shares, and GCL as responsible entity of the Fund (**GCL RE**) and GHL (together with GDF, **GARDA Property Group**) will commence trading as a stapled entity on the Official List. GHL will apply to ASX within seven days after the Prospectus Date for admission to the Official List and for quotation of its GHL Shares (as components of the GDF Stapled Securities) on the ASX. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Note to GDF Securityholders

This Prospectus contains important information about an investment in GHL. You should read this document in its entirety.

This Prospectus should be read in conjunction with the Meeting Booklet for the meeting of GDF Securityholders to be held in respect of the Internalisation. In particular, you should pay careful consideration to the risk factors outlined in Section 5 (and section 8 of the Meeting Booklet) and the tax implications in section 10 of the Meeting Booklet.

In preparing this Prospectus, regard has been had to the information GDF Securityholders would reasonably expect to be contained in it, having regard to the information disclosed simultaneously in the Meeting Booklet. In various instances, this Prospectus highlights relevant information located in sections of the Meeting Booklet.

GDF Securityholders should read each document carefully.

The Prospectus does not contain financial product advice and does not take into account the investment objectives, financial situation, tax position or needs of any particular GDF Securityholder. GHL is not licensed to provide financial product advice in respect of GHL Shares or other financial

products. Accordingly, GDF Securityholders should read the Meeting Booklet, this Prospectus and any supplementary prospectus in full. It is recommended that before a decision to invest is made GDF Securityholders carefully consider the information in the Meeting Booklet and this Prospectus in light of their particular circumstances.

Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser if you have any queries or uncertainty regarding an investment in GHL, the Internalisation or how it will affect you.

Action in response to this Prospectus

GDF Securityholders should read the Meeting Booklet in conjunction with this Prospectus before making a decision on how to vote at the Meeting.

In particular, please make sure that you understand the information in the Meeting Booklet about the Internalisation and GARDA Property Group, should the Stapling be implemented.

Once you have voted, you do not need to do anything else.

Obtaining a copy of this Prospectus

An electronic version of the Meeting Booklet and this Prospectus is available to GDF Securityholders online at www.gardacapital.com.au. If you access the Booklet or the Prospectus electronically please ensure that you download both documents in their entirety.

Disclaimer

No person is authorised to give any information or make any representation in connection with GARDA Property Group that is not contained in this Prospectus or the Meeting Booklet. Any information or representation not contained in this Prospectus or the Meeting Booklet may not be relied on as having been authorised by GHL in connection with GARDA Property Group. The GARDA Capital Group's business, financial condition, results of operations and prospects may have changed since the Prospectus Date. Except as required by law, and only to the extent so required, neither GHL nor any person guarantees or warrants the future performance of GHL, the Fund, GARDA Capital Group, GCT, the repayment of capital, or any return on GHL, the Fund or GARDA Capital Group.

This Prospectus and Meeting Booklet include information regarding the past performance of the Fund and the GARDA Capital Group. Past performance should not be relied upon as being indicative of future performance.

This Prospectus and Meeting Booklet contain forward-looking statements. Any statements contained in this Prospectus or the Meeting Booklet that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as 'aim', 'anticipate', 'believe', 'could', 'due', 'estimate', 'expect', 'forecasts', 'guidance', 'goal', 'intend', 'may', 'objective', 'outlook', 'plan', 'predict', 'potential', 'positioned', 'should', 'target', 'will', 'would' and other similar expressions.

Any forward-looking statements are subject to various risks, uncertainties and other factors that are in some cases beyond the control of GHL and its Directors, officers, employees, agents and advisers and which could cause the actual results of GHL, the Fund and/or GARDA Property Group to differ materially from the results expressed or anticipated in these statements. These forward-looking statements are provided as a general guide only and are not guarantees of future performance or development. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 5 (and section 8 of the Meeting Booklet).

GDF Securityholders are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements.

Other than as required by law, none of GHL, its Directors, officers, employees, agents or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Prospectus or the Meeting Booklet will actually occur.

These forward-looking statements are based on views held and assumptions immediately prior to the issue of the Prospectus, unless otherwise stated. Unless required by law, GHL does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks GHL, the Fund and/or GARDA Property Group describe in the reports to be filed from time to time with ASX after the Prospectus Date.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Prospectus and Meeting Booklet 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 Prospectus or the Meeting Booklet.

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

Eligibility

Only GDF Securityholders with a registered address in Australia or New Zealand on the Stapling Record Date are eligible to participate in the Internalisation, and this Prospectus is addressed only to them.

If you are uncertain about whether an investment in GHL is appropriate for you, you should seek the advice of an appropriately qualified professional adviser.

The taxation treatment in jurisdictions outside of Australia may be different to that described in the Meeting Booklet and Prospectus. The tax implications for GDF Securityholders in section 10 of the Meeting Booklet relates only to Australian investors. Tax implications for investors who are not Australian

tax residents are not included in this Prospectus or the Meeting Booklet. If you are a New Zealand investor you should seek advice on the New Zealand tax implications for your investment.

GDF Securityholders in New Zealand

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Restrictions on distribution

This Prospectus does not constitute an offer of, or an invitation to buy, securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, GHL Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

This Prospectus has not been filed with or reviewed by the US Securities and Exchange Commission or any securities authority of any state or other jurisdiction of the United States and none of them has passed upon or endorsed the merits of the Internalisation or the accuracy, adequacy or completeness of this Prospectus. Any representation to the contrary is a criminal offence.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified professional adviser.

No cooling off rights

Cooling off rights (whether provided at law or otherwise) do not

apply to an investment in GHL Shares pursuant to this Prospectus.

Company website

Any references to documents included on the website of GARDA Capital Group or GARDA Property Group are provided for convenience only, and none of the documents or other information on the website is incorporated by reference into this Prospectus.

Defined terms

Capitalised terms used in this Prospectus are defined in the glossary in Section 9. All references to time in this Prospectus refer to Australian Eastern Standard Time unless otherwise specified.

Further questions

If you have any queries relating to aspects of this Prospectus please call the toll free GDF Information Line on 1300 889 100 between 8:30 am and 5:00 pm (AEST) Monday to Friday on business days.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY, AND IN CONJUNCTION WITH THE MEETING BOOKLET.

Key statistics

Company	GARDA Holdings Limited
Proposed ASX code for GDF Stapled Securities	GDF
GHL Shares to be distributed to GDF Securityholders	185,356,359 GHL Shares
Total number of GHL Shares expected to be on issue following Stapling (as components of GDF Stapled Securities)	185,356,359 GHL Shares (as components of GDF Stapled Securities)
Total number of GHL Shares expected to be on issue following implementation of the Internalisation (as components of GDF Stapled Securities)	227,644,359 GHL Shares (as components of GDF Stapled Securities) ¹

Important dates

Lodgement of the Prospectus with ASIC	4 October 2019
Meeting of GDF Securityholders to approve the Resolutions	1 November 2019
If the Resolutions are approved and the Conditions are satisfied:	
Last day of ASX trading in Existing Units	19 November 2019
Admission of GHL Shares to Official List (to trade as part of the GDF Stapled Securities)GDF Stapled Securities (including New GDF Stapled Securities) commence trading on ASX on a deferred settlement basis	20 November 2019
Stapling Record Date	21 November 2019
Last day for registration of transfers of Existing Units	
Stapling Commencement Date	
GHL Shares received by GDF Securityholders	
Implementation Date – the date of transfer of all GCM Securities to GARDA Property Group and issue of New GDF Stapled Securities	29 November 2019
Expected date for despatch of holding statements	29 November 2019
Expected commencement of trading of GDF Stapled Securities on ASX (on a normal T+2 settlement basis)	2 December 2019

The timetable above is indicative only. GHL reserves the right to vary any or all of the times and dates subject to the Corporations Act, the Listing Rules and other applicable laws, or to withdraw the Internalisation, without prior notice. Any amendment to the Internalisation timetable will be announced to the market through ASX and posted on the website at <http://gardacapital.com.au>.

The quotation and commencement of trading of the GDF Stapled Securities is subject to confirmation from ASX.

¹ There may be minor variations in the number of GDF Stapled Securities on implementation based on rounding in the calculation of the New GDF Stapled Securities.

Letter from the Independent Directors²

Dear GDF Securityholder,

CONTEXT

GARDA Diversified Property Fund (**GDF**) currently owns 100% of the issued capital of GARDA Holdings Limited (**GHL**), a dormant company that was established for the purposes of the Internalisation and creation of the GARDA Property Group. GDF and GHL together form the GARDA Property Group.

For the purposes of the Internalisation, this Prospectus is issued to effect the distribution of GHL Shares currently held by GDF to GDF Securityholders (other than GDF Foreign Securityholders). It accompanies the notice of meeting and explanatory memorandum (**Meeting Booklet**) issued by GARDA Capital Limited in its capacity as responsible entity of GDF in relation to the Internalisation.

This Prospectus relates only to GHL. GDF Securityholders should refer to the Meeting Booklet for further information on the Internalisation (including its risks and benefits) and the GARDA Property Group.

DISTRIBUTION OF GHL SHARES UNDER THIS PROSPECTUS

GHL has the same number of GHL Shares on issue as there are GDF Units. Under this Prospectus, and subject to satisfaction or waiver of the Conditions, GDF will distribute GHL Shares to GDF Securityholders (other than to GDF Foreign Securityholders) so that GHL Shares and Existing Units are held on a one for one basis.

The distribution of GHL Shares will take place at the Stapling Record Date and the new GDF Stapled Securities will trade on ASX under the existing code 'GDF'.

The distribution of the GHL Shares in specie is authorised under the Fund's constitution and will comprise a capital return valued at approximately \$0.0001 per Existing Unit.

ACTIONS REQUIRED

No action is required by GDF Securityholders under this Prospectus. However, the distribution of GHL Shares is conditional on GDF Securityholders approving the Internalisation at the meeting described in the Meeting Booklet and certain other Conditions being satisfied. Those conditions are set out in full in Section 2.2.

Importantly, to receive the distribution of GHL Shares:

- no cash payment is required from GDF Securityholders; and
- no application form is required to be completed by GDF Securityholders.

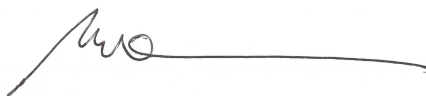
It is important for GDF Securityholders to consider the key terms of the GHL Shares and risks associated with an investment in GHL Shares, which are detailed in Sections 3 and 5 respectively.

GDF Securityholders are to vote on the Internalisation at a meeting on Friday, 1 November 2019. Please refer to the Meeting Booklet for details. You are strongly encouraged to vote at the Meeting.

If the Internalisation is approved and implemented, the Board looks forward to welcoming you as a shareholder in GHL.



Philip Lee
Independent Director



Morgan Parker
Independent Director

² Morgan Parker is an independent non-executive director who was appointed to the GCM boards on 13 December 2018. Philip Lee has been a non-executive director of the GCM boards since 21 May 2015. Mr Lee has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Mr Lee remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Mr Lee from bringing an independent judgement to bear on issues relating to the Internalisation.

1. Summary of the Internalisation

The information set out in this Section 1 is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. Additional information is contained in the Meeting Booklet.

1.1. Overview of distribution of GHL Shares

Topic	Summary	More information
What securities are being distributed under this Prospectus?	<p>The securities being distributed under this Prospectus are new fully paid ordinary shares in GHL (GHL Shares).</p> <p>GHL Shares are currently held by the Fund, and will be distributed in specie to GDF Securityholders (other than GDF Foreign Securityholders) in proportion to their holding of Existing Units, if the Conditions are satisfied or waived.</p> <p>Each GHL Share will then be stapled to one GDF Unit to form a GDF Stapled Security which will together be quoted and trade on ASX as a single security under the existing ASX code 'GDF'.</p> <p>The rights attaching to GHL Shares are set out in the GHL Constitution and are regulated by the Corporations Act, the Listing Rules and general law.</p> <p>The key rights attaching to the GHL Shares are described in detail in Section 3.</p>	Sections 2 and 3
Who will receive GHL Shares?	<p>GDF Securityholders (other than GDF Foreign Securityholders) will receive as a distribution one GHL Share for each Existing Unit they hold at the Stapling Record Date.</p> <p>The number of GHL Shares you receive will be equal to the number of GDF Units you hold as at the Stapling Record Date.</p> <p>The GHL Shares will only be distributed:</p> <ul style="list-style-type: none"> to those GDF Securityholders on the register at the Stapling Record Date who are not GDF Foreign Securityholders; if the Resolutions relating to the Internalisation are approved by GDF Securityholders at the Meeting; and if the Conditions are all satisfied or waived by the Stapling Record Date. 	Sections 2.4 and 2.5
What is the reason for the distribution of the GHL Shares?	<p>The creation of a new stapled entity, GARDA Property Group, was determined to be the most efficient transaction structure to internalise the management of GDF.</p> <p>Following distribution of GHL Shares and Stapling, GDF Securityholders will own GHL Shares and GDF Units that are 'stapled' so that they will trade together as a combined economic group, GARDA Property Group.</p> <p>The stapled structure facilitates implementation of the Internalisation whereby:</p> <ul style="list-style-type: none"> GCL is to be acquired by GHL way of scheme of arrangement under Part 5.1 of the Corporations Act; and GCT is to be acquired by the Custodian as custodian of GDF with approval of GCT unitholders under item 7 of section 611 of the Corporations Act. <p>Details of the Schemes are set out in the Meeting Booklet. The Schemes are to be implemented after Stapling has occurred.</p>	Section 2

Topic	Summary	More information
What consideration is payable for the GHL Shares?	<p>GDF Securityholders are not required to pay any additional capital for the GHL Shares distributed under this Prospectus, or complete any application form. Instead, \$0.0001 of the capital previously invested in each existing GDF Unit will be allocated, pursuant to a capital return, to each new GHL Share.</p> <p>The distribution of the GHL Shares in specie is authorised under the Fund's current constitution.</p>	Section 2.4
Are there any conditions to the distribution of the GHL Shares?	<p>Stapling will not proceed unless the Conditions, as set out in the Implementation Deed, are all satisfied or waived. The Conditions include:</p> <ul style="list-style-type: none"> all regulatory approvals are received and not withdrawn, including all ASIC and ASX approvals; GDF Securityholders approve the Resolutions; GCM Securityholders approve the resolutions put forward at the GCM Securityholder Meetings, and the Court provides approval to implement the Schemes; the Stapling occurs before implementation of the Schemes; no other orders or restraints being issued by regulatory authorities or the Court; no regulated event or material adverse change occurs in respect of GARDA Property Group or GARDA Capital Group under the Implementation Deed; and the warranties given by GARDA Property Group and GARDA Capital Group under the Implementation Deed remain true and correct. <p>The above listing is a summary only.</p> <p>See Section 2.2 for the full list and terms of the Conditions.</p>	Section 2.2
What is the impact on GDF Foreign Securityholders?	<p>If you are a GDF Securityholder with a registered address outside of Australia or New Zealand (GDF Foreign Securityholder), you are ineligible to receive the GHL Shares to which you would otherwise be entitled. The GHL Shares to which GDF Foreign Securityholders would otherwise be entitled will be sold together with their Existing Units (as components of GDF Stapled Securities) in accordance with the Sale Facility and the proceeds remitted to GDF Foreign Securityholders. In other words, if the Internalisation is implemented, GDF Foreign Securityholders will be divested of their holdings in GDF.</p>	Section 2.5
What are the risks associated with an investment in GHL Shares?	<p>GDF Securityholders should refer to Section 5 for a detailed overview of the risks associated with an investment in GHL, and also Section 8 of the Meeting Booklet for a detailed overview of the risks associated with the Internalisation.</p>	Section 5

1.2. Overview of GHL

Topic	Summary	More information
Who is GHL?	<p>GHL is a newly incorporated public company limited by shares which has not traded and will not trade prior to implementation of the Internalisation.</p> <p>At the date of this Prospectus, GHL is wholly owned by the Fund. It has been established solely for the purpose of the Internalisation.</p>	Section 4.1
What is GHL's purpose?	<p>GHL will become the holding company of GCL and its Subsidiaries on completion of the Internalisation.</p> <p>GHL's purpose is to acquire GCL on the terms of the Company Scheme and operate an integrated real estate investment and funds management business, principally through management services provided to GDF. It may do this itself or through the operation of Subsidiaries acquired if and when the Internalisation is implemented, including:</p> <ul style="list-style-type: none"> • GCL: the responsible entity of GDF; • GFML: the responsible entity of GCT; • GRES: the provider of property manager and real estate agency services for the properties owned by GDF; • GARDA Services: the entity that employs personnel within the GARDA Capital Group; • GARDA Finance: the operator of real estate debt advisory and arrangement business; and • GARDA Property Finance: the provider of loans arranged by GARDA Finance. <p>The ability to achieve this purpose is subject to conditions of the Internalisation.</p>	Section 4.3
What is GHL's financial position?	<p>GHL was incorporated on 20 September 2019 and has no trading history. GHL does not at the Prospectus Date hold any shares or interests in any entity, other than one wholly owned Subsidiary which was also incorporated on 20 September 2019 and has no trading history.</p> <p>However, for illustrative purposes, certain pro forma financial information has been included in Section 6 along with a discussion of the basis for this information and its assumptions.</p> <p>Immediately prior to the Implementation Date, GHL will have approximately \$18,536 of issued capital.</p>	Sections 4 and 6
What is GHL's financial performance?	<p>Following implementation of the Internalisation, GHL, through its wholly owned Subsidiaries, will provide all the resources required to operate and manage the Fund.</p> <p>GHL and its relevant Subsidiaries may receive:</p> <ul style="list-style-type: none"> • funds management fees from acting as the responsible entity of GDF and GCT; • fees from GDF and GCT to cover expenses of operating GDF and GCT. Expenses will include the costs of the Directors, the management team and staff and associated costs including administration services; • real estate management and transactional fees from acting as 	Section 4

	<p>property manager and the provision of real estate agency services for the properties owned by GDF and third parties;</p> <ul style="list-style-type: none"> • procurement fees derived from financing activities of GDF and third parties; and • investment returns from real estate debt positions. <p>Profits from the activities may be distributed to GDF Securityholders from time to time at the discretion of the Directors.</p>	
Will GHL be listed on the ASX?	<p>If Stapling proceeds and ASX grants approval, GHL will be listed on the ASX jointly with GDF as GARDA Property Group and its GDF Stapled Securities will be jointly quoted under the existing code 'GDF'.</p>	Section 2
Who are the directors of GHL?	<p>The directors of GHL are:</p> <ul style="list-style-type: none"> • Matthew Madsen – Executive Chairman and Managing Director; • Morgan Parker – Independent Director; • Mark Hallett – Non-Executive Director; and • Philip Lee – Non-Executive Director. <p>The Directors are currently identical to those of GCL RE. It is not currently proposed that there will be any changes of Directors in connection with the Internalisation.</p> <p>Refer to Section 7 for further details regarding the background of the Directors.</p>	Section 7
Who are the key senior executives of GHL?	<p>The executive team is comprised of:</p> <ul style="list-style-type: none"> • Matthew Madsen – Executive Chairman and Managing Director; • David Addis – Chief Operating Officer; • Ikram Patel – Financial Controller; • Lachlan Davidson – General Counsel and Company Secretary; • Mark Scammells – Director, Projects and Acquisitions; • Paul Brown – Manager, Investor Relations; and • Paul Lohr – Asset Manager. <p>Refer to Section 7 for further details regarding the background of the executive team.</p>	Section 7

2. Key features of distribution of GHL Shares

2.1. Background

The Meeting Booklet provides details of the Internalisation. If the Internalisation is approved and implemented:

- GHL Shares will be distributed to GDF Securityholders (other than GDF Foreign Securityholders) under this Prospectus. GHL Shares will then be stapled to Existing Units, forming the GDF Stapled Securities;
- GARDA Property Group will then acquire GARDA Capital Group from GCM Securityholders through the:
 - acquisition by GHL of GCL by way of scheme of arrangement under Part 5.1 of the Corporations Act (**Company Scheme**); and
 - acquisition by the Custodian as custodian of GDF of GCT with approval of GCT unitholders under item 7 of section 611 of the Corporations Act (**Trust Scheme**); and
- GARDA Property Group will be listed on ASX and its GDF Stapled Securities (comprising GHL Shares and GDF Units) will continue to trade under the code GDF.

2.2. Conditions

The Internalisation will not proceed unless the Conditions set out in the Implementation Deed are all satisfied or waived. The Conditions are set out in full in clause 3.1 of the Implementation Deed, a copy of which is attached to GDF's ASX announcement of 20 September 2019 (available on the ASX website at www.asx.com.au).

A summary of the Conditions is as follows:

Conditions for the benefit of the GARDA Property Group and the GARDA Capital Group:

- before 8:00 am on the Second Court Date:
 - all regulatory approvals are received and not withdrawn, including all ASIC and ASX approvals;
 - ASX has given its approval for official quotation of the GDF Stapled Securities and approved admission of GHL to the Official List;
 - the Resolutions are approved at the Meeting;
 - GCM Securityholders approve the resolutions put forward at the GCM Securityholder Meetings; and
 - all other approvals of third parties which the GARDA Capital Group and the GARDA Property Group agree are necessary or desirable to implement the Internalisation are received;
- the Court approves despatch of the Company Scheme booklet to GCM Securityholders and the convening of a GCM Securityholder Meeting to approve the Company Scheme pursuant to section 411(1) of the Corporations Act, and gives the 'First Judicial Advice' (as that term is defined in the Implementation Deed);
- the Stapling occurs before implementation of the Schemes on the Implementation Date;
- the Court approves the Company Scheme in accordance with section 411(4)(b) of the Corporations Act and gives the judicial advice in respect of the implementation of the Trust Scheme;
- no judgment, order, decree, statute, law, ordinance, rule or regulation, or permanent injunction, permanent restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other government agency of competent jurisdiction, remains in effect as at 8:00 am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the implementation of the Internalisation;

Conditions for the benefit of the GARDA Property Group:

- the Independent Expert provides the a report to GDF stating that in its opinion the Internalisation is fair and reasonable to and in the best interests of GDF Securityholders whose votes are to be disregarded;
- no 'GCM Regulated Event' (as that term is defined in the Implementation Deed) occurs or becomes known to GARDA Property Group between the date of the Implementation Deed and 8:00 am on the Second Court Date;
- no 'GCM Material Adverse Change' (as that term is defined in the Implementation Deed) occurs or becomes known to GARDA Property Group between the date of the Implementation Deed and 8:00 am on the Second Court Date;
- the warranties given by the GARDA Capital Group under the Implementation Deed are true and correct as at the date of the Implementation Deed and as at 8:00 am on the Second Court Date;

Conditions for the benefit of the GARDA Capital Group:

- the independent expert engaged by GCM provides a report to GCM stating that in its opinion the Internalisation is fair and reasonable to and in the best interests of GCM Securityholders;
- no 'GPG Regulated Event' (as that term is defined in the Implementation Deed) occurs between the date of the Implementation Deed and 8:00 am on the Second Court Date;
- no 'GPG Material Adverse Change' (as that term is defined in the Implementation Deed) occurs or becomes known to the GARDA Capital Group between the date of the Implementation Deed and 8:00 am on the Second Court Date; and
- the warranties given by the GARDA Property Group under the Implementation Deed are true and correct as at the date of the Implementation Deed and as at 8:00 am on the Second Court Date.

The Conditions relating to the Court approvals, approval of the Resolutions, GCM Securityholder approval and the Stapling cannot be waived.

Otherwise, the Conditions for the benefit of the GARDA Property Group may only be waived by the GARDA Property Group, and the same applies to Conditions for the benefit of the GARDA Capital Group. The Conditions for the benefit of both the GARDA Property Group and the GARDA Capital Group may only be waived with the written consent of both the GARDA Property Group and the GARDA Capital Group.

2.3. Key implementation steps for Internalisation

If all the Conditions are satisfied or waived, the Internalisation will be implemented in the manner set out in section 2 of the Meeting Booklet.

If the Conditions are not satisfied or waived, then the GHL Shares will not be distributed to GDF Securityholders and therefore GDF Securityholders will continue to hold only their GDF Units. No GDF Stapled Securities will be formed in this instance.

2.4. Key features of distribution of GHL Shares

GHL currently has on issue 185,356,359 GHL Shares held by the Fund.

Under this Prospectus, 185,356,359 GHL Shares are being distributed to GDF Securityholders (other than GDF Foreign Securityholders), being one GHL Share for each Existing Unit they hold at the Stapling Record Date. The offer is conditional upon approval of the Internalisation and satisfaction or waiver of the Conditions.

The GHL Shares will only be distributed:

- to those GDF Securityholders on the register at the Stapling Record Date that are not GDF Foreign Securityholders;
- if the Resolutions relating to the Internalisation are approved by a simple majority of GDF Securityholders at the Meeting; and
- if the conditions precedent to the implementation of the Internalisation are all satisfied or waived (see Section 2.2 for a description of these Conditions).

If the Internalisation is approved and implemented:

- GDF Securityholders are not required to pay any additional capital for the GHL Shares distributed under this Prospectus, or complete an application form;
- GDF Securityholders (other than GDF Foreign Securityholders) will receive one GHL Share for every one Existing Unit they hold; and
- the GHL Shares will be stapled to GDF Units so that GDF Securityholders may only trade both of the securities together.

Following Stapling (but prior to implementation of the Schemes), GHL will have on issue approximately 185,356,359 GHL Shares (as components of GDF Stapled Securities) and in the opinion of GHL, the Free Float of GHL Shares will significantly exceed 20% of GHL Shares on issue at that time.

If the Internalisation is fully implemented, GHL will issue an additional 42,288,000 GHL Shares in consideration for the acquisition of 100% of the shares in GCL, and there will be a total of 227,644,359 GHL Shares on issue (which will be components of GDF Stapled Securities).

2.5. GDF Foreign Securityholders

Subject to relief from ASIC as set out in Section 8.2, GDF Foreign Securityholders will not receive GDF Stapled Securities in connection with the Internalisation (due to legal reasons), but will instead have the GDF Stapled Securities

(including their Existing Units) to which they would otherwise be entitled sold through the Sale Facility (described in section 11.4 of the Meeting Booklet). Sale proceeds will be paid by electronic funds transfer (if details are held by the Registry) or by cheque. At 19 September 2019, there were 7 GDF Foreign Securityholders holding 0.08% of existing GDF Units. Participation in the Sale Facility is only available to GDF Foreign Securityholders.

3. Terms of GHL Shares

The GHL Shares are fully paid ordinary shares, and will form part of GDF Stapled Securities if the Conditions are satisfied or waived and Stapling is implemented in accordance with the steps described in this Prospectus.

GHL is a public company incorporated under the Corporations Act. The rights attaching to the GHL Shares are set out in the GHL Constitution and are regulated by the Corporations Act, the Listing Rules and other general law.

A general summary of some of the key provisions of the GHL Constitution is set out below. This summary is not intended to be exhaustive. Copies of the GHL Constitution will be made available for inspection, free of charge, at the registered office of GHL during normal trading hours.

Fully paid	The GHL Shares are fully paid.
Ranking	On issue, all GHL Shares will rank equally with other GHL Shares currently on issue.
Dividends	<p>The Directors may from time to time pay dividends to registered holders of GHL Shares. The Directors may fix the amount, the date and method of payment.</p> <p>All fully paid GHL Shares on which any dividend is declared or paid are entitled to participate equally in that dividend.</p>
Meetings	<p>Each holder of GHL Shares has the right to receive notice of and to attend general meetings of GHL. They will also receive all financial statements, notices and GHL documents required to be sent to them under the GHL Constitution, the Corporations Act or the Listing Rules. The Directors may call a general meeting and must call an annual general meeting.</p> <p>In practice, while GHL is listed and Stapled, meetings of the GHL shareholders and the GDF unitholders will be held concurrently, as a single meeting of the securityholders of GARDA Property Group.</p>
Voting rights	Each holder of GHL Shares has the right to vote at a general meeting of GHL shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per GHL Shareholder) and on a poll (one vote per GHL Share on which there is no money due and payable).
Issue of additional GHL Shares	The Directors may (subject to the restrictions on the issue of GHL Shares imposed by the GHL Constitution, the Corporations Act and the Listing Rules) issue or allot shares or grant options over unissued GHL shares, or otherwise dispose of any GHL shares on any terms and conditions as they see fit.
Transfer / transmission	Subject to the Corporations Act and the Listing Rules, GHL Shares may be transferred without restriction.
Buy-backs	Subject to the stapling requirements in relation to GDF Stapled Securities, the Directors may buy-back GHL Shares on the terms and at times determined by them, to the extent and in the manner permitted by the Corporations Act and Listing Rules.
Variation of rights	The rights attached to any class of GHL shares, unless otherwise provided for by the terms of issue of those shares, may only be varied or cancelled with the consent in writing of the holders of 75% of the issued shares in the relevant class, or with the sanction of a special resolution passed at a meeting of the holders of the shares in that class.
Entitlement	Subject to the GHL Constitution and to any special or preferential rights attaching to any class or classes of shares in GHL, GHL shares attract the right in a winding up to participate equally in the distribution of the assets of GHL (both capital and surplus) in proportion to the amount of capital paid up. The GHL Constitution also gives shareholders the right to approve by special resolution various alternative ways in which assets may be dealt with by any liquidator.
Stapling	While Stapled, each GHL Share and GDF Unit comprising a single GDF Stapled Security may only be dealt with together, and cannot be separately issued, traded, transferred or cancelled.
Amendments	The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the shareholders of the company (meaning 75% of votes cast by members entitled to vote on the resolution). The GHL Constitution does not provide for any further requirements to be complied with to effect a modification of, or to repeal, the constitution (except if the amendments affect the stapling of GHL shares, in which case consent of each entity in the stapled group of which GHL forms part may need to be obtained).

If the Internalisation is approved and proceeds, GHL proposes to enter into a co-operation deed with GCL RE which will set out various matters in respect of the relationship between GHL, GDF and the GHL Shares and GDF Units which will be stapled to form GDF Stapled Securities.

A more detailed summary of the 'Stapling Provisions' in the GHL Constitution and the constitution of GDF, and co-operation deed, is contained in section 11.3 of the Meeting Booklet.

4. Overview of GHL and its operations

This Section provides a brief overview of GHL. More detailed information about the internalised GARDA Property Group is set out in the Meeting Booklet (including GHL's investment objectives and strategy for GARDA Property Group).

4.1. Overview of GHL before the Internalisation

GHL is a newly incorporated public company limited by shares, established for the purposes of the Internalisation. GHL has not traded and will not trade prior to implementation of the Internalisation.

At the Prospectus Date, GHL is wholly owned by the Fund and has one wholly owned Subsidiary which also has no trading history.

4.2. Overview of GHL following the Internalisation

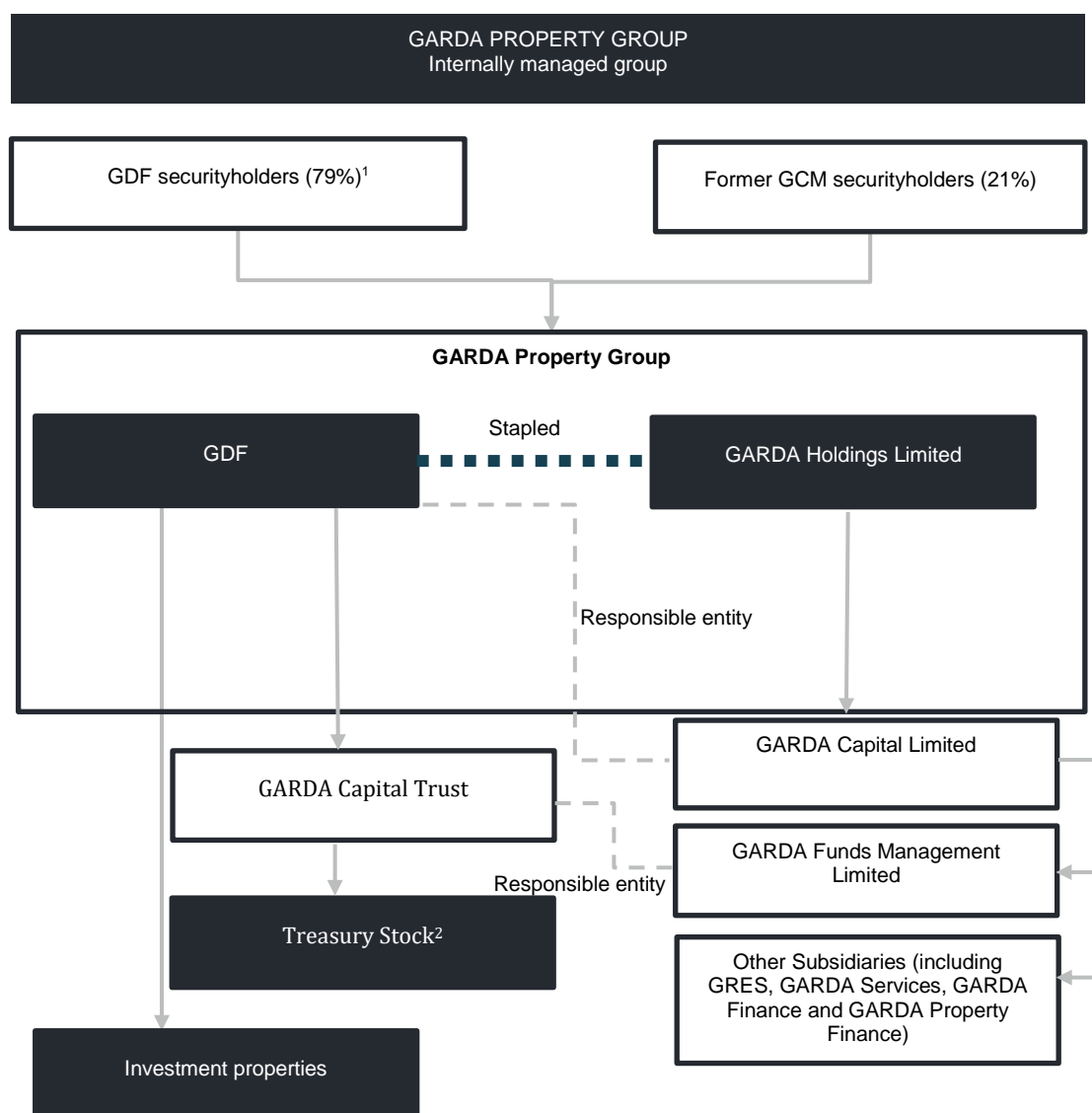
Following implementation of the Internalisation:

- GDF Securityholders will own GHL Shares and GDF Units that are 'stapled' to form GDF Stapled Securities;
- GHL and GDF will trade together as a combined economic group to be known as the GARDA Property Group, which will continue under ASX code 'GDF'; and
- GHL will become the holding company of GCL and its Subsidiaries, and through these entities manage GDF and GCT.

The material operations of GHL and its Subsidiaries following implementation of the Internalisation are expected to be the operations conducted by:

- GCL: the responsible entity of GDF. It carries out all the usual responsibilities of a trustee/responsible entity through the board of GCL, in accordance with the Corporations Act, including overseeing investment and asset management of the Fund and its service providers, capital management, financial oversight and accounting, and liaison with investors;
- GFML: the responsible entity of GCT. It carries out all the usual responsibilities of a trustee/responsible entity in respect of GCT;
- GRES: the provider of property manager and real estate agency services for the properties owned by GDF. The services provided by GRES include property management, acting as co-ordinating leasing agent, facilities management, project management for capital expenditure projects and co-ordination of sales and acquisitions, in all jurisdictions;
- GARDA Services: the entity that employs personnel within the GARDA Capital Group;
- GARDA Finance: the operator of real estate debt advisory and arrangement business, providing services to third parties and also to GCL RE and GARDA Capital Group; and
- GARDA Property Finance: the provider of loans arranged by GARDA Finance.

If Internalisation is implemented, the structure of GARDA Property Group will be as follows:



Notes:

1. Excluding GARDA Property Group.

2. Following implementation of the Internalisation, GARDA Property Group will hold approximately 21.9 million GDF Stapled Securities, or 'Treasury Stock'. It is intended that this Treasury Stock will be sold in the medium term following the Internalisation.

4.3. GH L's business plan

GH L's immediate objective is to provide a structure for GDF Securityholders to indirectly acquire the management function of the Fund, to access the potential advantages associated with an internally managed real estate investment trust.

Following implementation of the Internalisation, GH L will own GCL (the responsible entity of the Fund) and intends to:

- continue to operate the same businesses that are operated by GCL at the Prospectus Date as part of a combined economic group, consolidated with the Fund through Stapling. However, fees from the Fund will be eliminated from an accounting perspective on consolidation, recognising that each of the Fund and GH L (and its Subsidiaries) will be owned by the same GDF Securityholders; and
- deliver on the strategies of GARDA Property Group set out in section 6.2 of the Meeting Booklet.

The potential advantages, and the disadvantages of the Internalisation are set out in detail in sections 3 to 4 of the Meeting Booklet. Risks of the Internalisation are summarised in section 8 of the Meeting Booklet and Section 5.

4.4. Material licences

GCL and its Subsidiaries currently hold the following licences in connection with the operation of its businesses.

GARDA Capital Limited	GARDA Capital Limited holds AFSL No. 246714 which authorises it to, among other things, act as responsible entity of the Fund, and is subject to the usual financial and compliance requirements.
GARDA Funds Management Limited	GARDA Funds Management Limited holds AFSL No. 398764 which authorises it to, among other things, act as responsible entity of GCT, and is subject to the usual financial and compliance requirements.
GARDA Capital RE Limited	GARDA Capital RE Limited holds AFSL No. 508873 which authorises it to, among other things, act as responsible entity of any registered managed investment scheme which invests in direct real property and financial assets.
GARDA Real Estate Services Pty Ltd	GRES holds an unrestricted Queensland Real Estate Licence No. 2608889, which is current until 15 January 2022.
GARDA Finance Pty Ltd	<p>GARDA Finance holds Australian Credit Licence No. 395123 which authorises it to, among other things:</p> <ul style="list-style-type: none">• provide credit assistance, for example by making recommendations about particular credit contracts and assisting a borrower to apply for a particular credit contract; and• act as an intermediary between a credit provider and a borrower.

5. Risks associated with GHL Shares

5.1. Nature of risks

This Section identifies the key risk factors associated with an investment in GHL Shares.

General and specific risks of an investment in the Fund were set out in section 8 of the GDF Product Disclosure Statement and subsequent announcements to ASX, which may be found at www.asx.com.au. GDF Securityholders are already subject to the risks relevant to their investment in the Fund, and the Internalisation does not affect those risks. Accordingly, this Section and the Meeting Booklet do not seek to further address those risks.

If the Internalisation is implemented, GDF Securityholders will be exposed to a range of factors and risks relevant to GARDA Property Group. This will include risks specific to the businesses operated by GARDA Capital Group as set out in section 7 of the GCM Disclosure Document and subsequent announcements to ASX, which may be found at www.asx.com.au.

You should carefully consider the risks described in this Section 5, as well as other information referred to above and key risks of GARDA Property Group in section 8 of the Meeting Booklet. If you require further information regarding the appropriateness or potential risks of this investment, you should seek appropriate financial advice.

5.2. Risks associated with an investment in GHL Shares

This Prospectus outlines the risks that the Independent Directors believe may arise from an investment in GHL Shares. There may be other risks, and this Section does not seek to be exhaustive of all risks which may potentially arise from an investment in GHL Shares.

If the Internalisation is approved and implemented, GHL will acquire GCL. Accordingly, the risks of an investment in GHL Shares overlap with the risks relating to the Internalisation explained in section 8 of the Meeting Booklet.

The specific risks relating to an investment in GHL Shares (including if the Internalisation is approved and implemented) include:

- **Risks associated with businesses of the GARDA Capital Group –**
 - **Licences** – GCL and certain Subsidiaries require an AFSL to conduct their respective funds management businesses. Similarly, other Subsidiaries of GCL hold and rely on an Australian Credit Licence and a real estate licence, as described in Section 4.4. If any of the statutory licences are adversely amended, or revoked, it may not be possible for that entity, or GARDA Property Group, to conduct the relevant licensed business to the same extent contemplated in this Prospectus.
 - **Debt positions** – GCL's Subsidiary, GARDA Property Finance, invests in real estate debt positions, which may include making loans to property developers. A default by a borrower in circumstances where the security held by GARDA Property Finance is insufficient to cover the amount lent could impact the recoverability of the amount invested. This risk may be increased where the security held by GARDA Property Finance is subordinated to that of a senior lender.
 - **Historic liabilities** – GHL may be exposed to any historic liabilities of GCL (including as responsible entity) and its Subsidiaries.
- **Direct exposure to operating costs** – following implementation of the Internalisation, the Fund will no longer pay management and other fees (including base and performance fees) to an external related party. This means that GARDA Property Group (and you as a GDF Securityholder) will be directly exposed to changes in management and operating cost structures.
- **Management** - GHL (and its Subsidiaries) will be reliant on retaining and attracting quality senior management and staff to operate the Fund. While this risk exists today, following implementation of the Internalisation, the responsibility for managing this risk will be internalised rather than simply being a third party's responsibility.
- **Regulation** - the areas in which GHL will operate are highly regulated and GHL will be subject to a number of regulatory and licensing regimes, including those described in Section 4.4. Among other things, current AFSL licensing requirements require GCL (and each of its Subsidiaries that holds an AFSL) to comply with minimum solvency and capital standards. A significant change in one or more of these regulatory regimes (or any contravention thereof) may have a negative impact on GHL and GDF Securityholders.
- **Tax consequences** – if the Internalisation proceeds, there may be tax consequences for GDF Securityholders and GDF Foreign Securityholders. GDF Securityholders and GDF Foreign Securityholders should seek their own independent professional advice regarding the individual tax consequences of the Internalisation applicable to them. Further information on the tax consequences of the Internalisation is set out in Section 10 of the Meeting Booklet.

- **ASX listing requirements** – there are various listing requirements that GHL must comply with, which may change over time. While GHL will seek to comply with its listing obligations, there can be no assurance that the requirements necessary to maintain the listing of GDF Stapled Securities (which include GHL Shares) will continue to be met or will remain unchanged.

6. Financial information

6.1. Introduction

The Internalisation will have an impact on the financial position and performance of the GARDA Property Group.

Accordingly, certain financial information (including the basis of preparation and key accounting policies relating to this financial information) has been included in section 7 of the Meeting Booklet to illustrate the likely financial impact of the implemented Internalisation's impact on GDF.

This Section sets out financial information in relation to GHL. GHL was incorporated on 20 September 2019 with nominal capital and has not commenced trading. Upon implementation of the Internalisation, GHL will acquire GCL and its controlled entities for new GHL Shares.

Accordingly, the only available financial information is the pro forma historical balance sheet of GHL as at the Prospectus Date (**Pro Forma Historical Consolidated Balance Sheet of GHL**).

All amounts disclosed in this Section are presented in Australian dollars and are rounded to the nearest \$m. Rounding may result in some discrepancies between the sum of components and the totals outlined within the tables and the percentage calculations.

6.2. Basis of preparation

The Independent Directors are responsible for the preparation and presentation of the Pro Forma Historical Consolidated Balance Sheet of GHL and other information outlined in Section 6. The Pro Forma Historical Consolidated Balance Sheet of GHL is intended to present investors with information to assist them in understanding the financial position of GHL upon the implementation of the Internalisation.

The Pro Forma Historical Consolidated Balance Sheet of GHL has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (**AAS**) other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they occurred as at the date of this Prospectus.

The financial information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by AAS applicable to annual general purpose financial reports prepared in accordance with the Corporations Act.

The accounting policies used in the preparation of the financial information are consistent with the accounting policies of GARDA Property Group. Significant accounting policies of the GARDA Property Group are presented in Section 7.7 of the Booklet.

6.3. Pro Forma Historical Consolidated Balance Sheet of GHL

The Pro Forma Historical Consolidated Balance Sheet of GHL has been derived from:

- the standalone balance sheet of GHL at the date of the Prospectus;
- the historical consolidated balance sheet of GCL and its controlled entities as at 30 June 2019; and
- pro forma adjustments to reflect the impact of the Internalisation as at the Prospectus Date.

The Pro Forma Historical Consolidated Balance Sheet of GHL at the date of the Prospectus, as if the Internalisation were implemented as at the Prospectus Date, is as follows:

Pro Forma Historical Consolidated Balance Sheet of GHL as at the Prospectus Date	
Notes	\$m
ASSETS	
Current assets	
Cash and cash equivalents	3.7
Trade and other receivables	3.3
Total current assets	7.0
Non-current assets	
Investment properties	1.3
Property, plant and equipment	0.1

Intangible assets		0.3
Goodwill	1	-
Total non-current assets		1.7
Total assets		8.6
LIABILITIES		
Current liabilities		
Trade and other payables		0.7
Current tax liability		0.9
Total current liabilities		1.6
Non-current liabilities		
Borrowings		2.0
Deferred tax liability		-
Total non-current liabilities		2.0
Total liabilities		3.6
NET ASSETS		5.0

Note:

1. Pursuant to AAS3, the acquisition of GHL by GCL results in a bargain purchase amount of \$6.6 million which should be recognised as income in the statement of profit or loss and other comprehensive income. However, as set out in Section 7.5 of the Meeting Booklet, GARDA Property Group will offset this bargain purchase amount against the goodwill arising on the acquisition of GCT by GDF.

The Pro Forma Historical Consolidated Balance Sheet of GHL differs from the pro forma historical consolidated balance sheet of GARDA Property Group following implementation of the Internalisation (refer to Section 7.5.1 of the Meeting Booklet). The difference arises because the GARDA Property Group balance sheet reflects GDF as the acquirer or deemed parent of GARDA Property Group and therefore consolidates GHL and its Subsidiaries (including GCL and its Subsidiaries). In contrast, the Pro Forma Historical Consolidated Balance Sheet of GHL reflects GHL as the acquirer or parent entity and only consolidates GCL and its Subsidiaries.

Should the Internalisation not be approved, GHL's net assets will not be impacted.

6.4. Working capital

The Board considers that GHL's working capital position, combined with its expected cash flows to be generated from operations is sufficient for GHL to carry out its stated business objectives immediately following implementation of the Internalisation.

6.5. Historical financial performance

GHL is a newly established entity and will not trade until the acquisition of GCL and its controlled entities, which will only occur on implementation of the Internalisation.

As GHL is a newly incorporated company and has not traded, the Board does not have a reasonable basis to provide pro forma historical financial performance and cash flow information that is sufficiently meaningful or reliable.

6.6. Dividend policy

If the Board determines dividends from GHL are to be paid, such dividends will be considered and paid in conjunction with distributions from the Fund.

The payment of dividends, if any, by GHL is at the discretion of the Board. The decision as to whether a dividend will be paid is subject to a number of considerations including:

- operating results;
- the general business environment;
- GHL's financial position and capital requirements;
- regulatory restrictions; and
- any other factors the Board may consider relevant.

No assurances can be given by any person, including the Board, about the payment of any dividend or the level of franking on any such dividend.

6.7. Taxation

The Australian taxation consequences of the Internalisation for GDF Securityholders, including in relation to the acquisition of GHL Shares distributed under this Prospectus are set out in section 10 of the Meeting Booklet.

The comments contained in this Prospectus do not constitute tax advice and should not be relied upon as such. GDF Securityholders should consult their own professional tax advisers regarding the consequences of an investment in GHL Shares in light of their own circumstances.

7. Key people, interests and benefits

7.1. Board composition

The directors of GHL are:

- Matthew Madsen – Executive Chairman and Managing Director;
- Morgan Parker – Independent Director;
- Mark Hallett – Non-Executive Director; and
- Philip Lee – Non-Executive Director.

The Directors are currently identical to those of GCL as responsible entity of GDF. It is not currently proposed that there will be any changes of Directors in connection with the Internalisation.

The relevant experience of each Director is set out below:

Matthew Madsen – Executive Chairman and Managing Director

Matthew has more than 20 years' experience in the funds management industry, predominantly in director and management roles.

Matthew has been a member of the GCM boards since September 2011. Matthew is also Chair of the Advisory Board for residential land developer, Trask Development Corporation.

Matthew holds a Diploma in Financial Services and a Diploma in Financial Markets.

Morgan Parker - Independent Director

Morgan has over 25 years' experience as a real estate investor, developer and banker.

Morgan is currently a non-executive director of SunCentral Maroochydore Pty Ltd, the government-owned company responsible for development of Maroochydore City Centre on Queensland's Sunshine Coast, and Newcastle Airport. He has previously worked for Morgan Stanley, Lendlease and Macquarie Group, and his most recent executive role was as Chief Operating Officer at Dubai Holding.

Morgan was appointed to the GCM boards in December 2018. He is an independent director free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Mark Hallett – non-executive director

Mark has in excess of 30 years' industry and legal experience. A qualified solicitor, Mark has a range of diverse industry experiences across all aspects of corporate litigation, restructuring and commercial property.

Mark was legal practice director of Hallett Legal and is now a consultant at Macpherson Kelley.

Mark has managed successful property syndicates for business associates and continues to advise participants in the industry on property investment, legal and corporate restructuring.

Mark was appointed to the GCM boards in January 2011. He is not considered to be independent at this time.

Philip Lee – non-executive director

Philip has over 32 years' experience in stockbroking, equities research and corporate finance. He joined Morgans in 1986 and has served as a Director of Morgans and Joint Head of Corporate Finance. Philip currently holds the position of Executive Director Corporate Advisory, primarily focussed on raising capital for growing companies.

Philip holds a Bachelor of Commerce from the University of Canterbury, is a Member of the Australian Institute of Company Directors and is a Senior Fellow of Finsia and is a Master Practitioner Member of the Stockbrokers and Financial Advisers Association.

Philip was appointed to the GCM boards in May 2015.

Philip has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Philip remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Philip from bringing an independent judgement to bear on issues relating to the Internalisation.

7.2. Management team

In addition to Matthew Madsen, Executive Chairman and Managing Director of GARDA Capital Group, senior executives of the GARDA Capital Group include:

David Addis – Chief Operating Officer

As Chief Operating Officer of the GARDA Capital Group, David is a member of the senior leadership team responsible for setting and executing the GARDA Capital Group's strategy. In addition, he has responsibility for the various commercial operations supporting GCM's activities including risk, finance, governance and compliance, investor relations and marketing and communications.

David has approximately 30 years' experience in corporate finance, funds management and corporate strategy with investment banks, fund managers and professional services firms.

He holds degrees in Commerce and Law, is a Chartered Accountant and is a member of the Australian Institute of Company Directors.

Ikram Patel – Financial Controller

Ikram is responsible for the accounting, financial reporting and financial administration functions of the GARDA Capital Group. He has been employed with GCM since 2016 and played a key role in GCM's initial public offering and various capital raisings for GDF.

Ikram is a Chartered Accountant with more than 10 years' experience. He commenced his career with PricewaterhouseCoopers in Brisbane and London and, more recently, has been Financial Controller in ASX listed companies. Immediately prior to joining the GARDA Capital Group, Ikram was the Group Financial Controller for Seymour Whyte Limited, an ASX listed civil construction company.

Ikram holds a degree in Accounting and Economics and is a Member of the Institute of Chartered Accountants in Australia.

Lachlan Davidson – General Counsel and Company Secretary

Lachlan is responsible for the legal and compliance activities of the GARDA Capital Group, including risk and corporate governance monitoring.

Lachlan is a qualified lawyer with over 20 years' experience in corporate fundraising and managed investments. He has worked for international firms in London and was formerly General Counsel at Golding Contractors and an investment bank in the Middle East.

Lachlan joined GARDA Capital Group in January 2014, and assisted on GCM and GDF's initial public offers and subsequent capital raising activity.

Lachlan holds a Law degree, a Bachelor of Science in Genetics and Biochemistry, and a Master of Business Administration. He is a Justice of the Peace (Qualified), and a Graduate of the AICD Directors Course.

Mark Scammells – Director, Projects and Acquisitions

Mark recently joined GARDA Capital Group and is responsible for real estate acquisitions and developments. Previously he was Group Property Director with the King & Co Group.

Mark has 29 years of experience in the Brisbane industrial real estate market and has been responsible for the initiation, management and delivery of some of the largest industrial developments in South East Queensland, including Brisbane South Industrial Park, Proximity Industrial Estate, Southlink Estate and Metroplex Westgate.

Mark holds a Bachelor of Laws and is a Licensed Real Estate Agent (Principal).

Paul Brown - Manager, Investor Relations

Paul is a key member of the funds management team at the GARDA Capital Group. Paul is responsible for all marketing and communications with key stakeholders for the GARDA Capital Group and developing investor relations with both existing and new investors. Paul executes fund analysis and forecasting while providing research on structure and performance in the listed property trust sector.

Paul has previously worked with global organisations, Allianz and Vodafone.

Paul holds a Bachelor of Business (Finance and Funds Management) and has eight years' equities experience in research, analysis and modelling of resource equity transactions of a private fund.

Paul Lohr – Asset Manager

Paul is responsible for the property portfolio management activities of the GARDA Capital Group.

Paul has 20 years' experience in the property industry, predominantly in investment management and finance. Prior to joining GARDA in early 2016, he was the Head of Investment and Trading at Eris Property Group, a South African property development and services company.

Paul holds a Bachelor of Commerce (Accounting) from the University of Johannesburg.

7.3. Remuneration and interests

7.3.1. Remuneration

Section 11.8 of the Meeting Booklet sets out details of the remuneration of the Directors and the senior management named in this Prospectus.

7.3.2. ESS securities and trading restrictions

As set out in Section 11.8.4 of the Meeting Booklet, GCM has as at the Prospectus Date issued 2,400,000 GCM Securities to Directors and senior management under a loan-funded employee security plan of the GARDA Capital Group adopted by GCM Securityholders on 13 November 2017. Under these terms, the GCM Securities issued do not 'vest' (and the relevant participant cannot voluntarily dispose of the GCM Securities, repay the principal loan and/or obtain an economic benefit from the GCM Securities upon disposal) until a minimum period of service has been achieved after the date the relevant GCM Securities were issued. GCM has a residual discretion to accelerate vesting in certain circumstances, including where there is a change of control of the GARDA Capital Group. All current participants are charged interest at the FBT benchmark rate.

Participants under the GCM ESS will be entitled to participate in the Internalisation, and receive New GDF Stapled Securities. A total of 3,840,000 New GDF Stapled Securities will be issued to Directors and senior management, replacing the GCM Securities issued under the GCM employee security plan.

It is intended that once the Schemes are implemented, the New GDF Stapled Securities issued will be subject to equivalent loan terms, vesting conditions, transfer restrictions and other terms that existed under the GCM ESS, except that the 300,000 outstanding GCM Securities (**Vested ESS Securities**) issued on 13 November 2017 under the GCM ESS will 'vest' on or before implementation. This means that the 480,000 New GDF Stapled Securities issued as consideration for the Vested ESS Securities, held by Lachlan Davidson and Paul Brown, may be sold following implementation of the Internalisation, subject to the participant repaying the corresponding loan amount.

It is proposed that the shareholder of GHL will approve an employee security plan equivalent to the GCM ESS, the terms of which are set out in the GCM notice of annual general meeting dated 13 October 2017, available at www.asx.com.au, prior to implementation of the Schemes, and that these terms will apply to the New GDF Stapled Securities issued to the existing GCM ESS participants.

7.3.3. Indemnification of directors and officers

GHL proposes to enter into deeds to indemnify the Directors and officers of GHL to the extent permitted by law and its constitution from all losses or liabilities (including reasonable legal costs) incurred as an officer of GHL or any Subsidiary and confirming the officers' rights to access Board papers. The terms will reflect similar agreements currently in place between GCL and the directors of GCL.

Under the deeds, GHL will be required to maintain a directors' and officers' policy insuring each director (among others) against liability as an officer of GHL or its Subsidiaries until seven years after they cease to hold office as an officer of GHL or any Subsidiary.

The Independent Directors believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and officers.

7.3.4. Directors' interests

As at the Prospectus Date, the Custodian as custodian of the Fund is the sole shareholder of GHL and no GHL Shares are held by or on behalf of any Director or key management personnel of GHL.

The table below shows the Relevant Interests of each Director in:

- GDF Units as at the Prospectus Date. GDF Units held of the Stapling Record Date will form part of GDF Stapled Securities if the Internalisation is implemented;
- GCM Securities as at the Prospectus Date. GCM Securityholders (including these persons) who hold GCM Securities on the Schemes Record Date will receive New GDF Stapled Securities upon implementation of the Schemes; and
- GDF Stapled Securities following implementation of the Schemes, calculated on the basis of the GDF Units and GCM Securities held as at the Prospectus Date.

Director	No. GDF Units held at the Prospectus Date (A)	% GDF Units currently on issue held at the Prospectus Date	No. GCM Securities currently held at the Prospectus Date	New GDF Stapled Securities on implementation of Schemes ¹ (B)	No. GDF Stapled Securities held after implementation of Schemes ² (A + B)	% GDF Stapled Securities held after implementation of Schemes
Mr Matthew Madsen	146,401	<0.1%	5,526,879 ³	8,843,006	8,989,407	3.95%
Mr Morgan Parker	-	-	-	-	-	-
Mr Mark Hallett	48,698	<0.1%	9,166,213 ⁴	14,665,941	14,714,639	6.46%
Mr Philip Lee	61,628	<0.1%	97,000	155,200	216,828	0.10%

Notes:

- Figures are based on the number of GCM Securities held at the Prospectus Date multiplied by 1.6. If the Schemes are implemented, each GCM Securityholder will receive 1.6 New GDF Stapled Securities for each GCM Security held on the Schemes Record Date.
- Assumes no changes in GDF Units or GCM Securities held between the Prospectus Date and implementation of the Internalisation.
- GCM Securities of Mr Matthew Madsen include 600,000 GCM Securities subject to the terms of the employee security plan of the GARDA Capital Group adopted by GCM Securityholders on 13 November 2017 (**ESS**).
- GCM Securities in which Mr Mark Hallett has a Relevant Interest comprise 8,512,552 held by M3SIT Pty Ltd (in its own right or as trustee), and 653,661 GCM Securities that Mr Mark Hallett otherwise has an economic interest in and/or controls. While Mr Hallett is a director and joint trustee of a shareholder of M3SIT Pty Ltd and has a Relevant Interest in the GCM Securities held by M3SIT Pty Ltd, M3SIT Pty Ltd is not considered a related party of GCL RE on the basis that that Mr Hallett does not control M3SIT Pty Ltd for the purposes of section 50AA of the Corporations Act.

Other than as set out in this Prospectus, no Director has during the last two years:

- held any interest in the formation or promotion of GHL;
- held any interest in any property acquired or proposed to be acquired by GHL in connection with its formation or promotion or the issue of GDF Stapled Securities;
- received, or agreed to receive, any amount or benefit from any person as inducement to become, or to qualify as a director of GHL (other than remuneration payable for acting as a director of GHL, as set out in section 11.8 of the Meeting Booklet); or
- received, or agreed to receive, any amount or benefit from any person for services provided to the Fund in connection with the Internalisation, the promotion of the Internalisation, or the offer of GHL Shares (other than remuneration payable for acting as a director of GHL, as set out in section 11.8 of the Meeting Booklet).

At the Prospectus Date, there are no proposed new directors of GHL.

7.4. The Board and Corporate Governance

The Board is responsible for the overall corporate governance of GHL, including (if the Internalisation is approved and implemented) adopting appropriate policies and procedures in order for GHL and its Subsidiaries, including GCL, to fulfil their functions effectively and responsibly.

The Board recognises the role and importance of good corporate governance and is committed to promoting and fostering a strong governance culture, for the benefit of all stakeholders.

GCL's policies and procedures will be consistent with those already established and applied by GCL RE and the GARDA Capital Group, recognising that both GDF and GCM already operate as separate listed entities but with consistent corporate governance frameworks.

The corporate governance framework to be implemented by GHL and GCL RE in respect of the GARDA Property Group is underpinned by the ASX Guidelines. The Listing Rules require listed entities to disclose the extent of their compliance with the ASX Guidelines and to explain why they have not adopted a particular ASX Guideline if they consider it is inappropriate to do so in their particular circumstances. Accordingly, the GARDA Property Group will be required to report its compliance against the ASX Guidelines in its application for listing and on an ongoing basis in its annual report. GHL has policies in place to ensure that GARDA Property Group will meet all applicable disclosure standards in accordance with the Listing Rules.

7.4.1. Corporate Governance Charters and Policies

The following governance policies will be adopted by the Board, and the board of GCL RE, if the Internalisation proceeds, and will be made available at www.gardacapital.com.au. In this Section, **Board** means, as context requires, one or both of the Board and the board of directors of GCL RE.

Board Charter

This is the framework charter, which confirms the role of the Board and that it derives its authority from the constituent documents of the entities, as well as legal and regulatory requirements. The Board Charter sets out the roles and responsibilities of each of the Board positions, as well as the framework for delegating its authority to management and others. The Board Charter confirms that the Board will consist of a majority of non-executive directors, and that the Chair should be an independent non-executive director. The Board is required to maintain a board skills matrix, to ensure that the Board comprises directors with appropriate skills, knowledge and experience, and bring independent judgement. The Board will periodically review and evaluate its own performance, the performance of individual Directors and that of the senior executives against both measurable and qualitative indicators.

Nomination and Remuneration Committee Charter

This document sets out the authority delegated to the Nomination and Remuneration Committee, which is established to assist the Board to fulfil its obligations and duties in respect of, and providing information and recommendations for:

- Board succession planning;
- Managing Director or Chief Executive Officer succession planning;
- induction and continuing professional development of Board members;
- evaluation of Board and key management candidates;
- remuneration structures and employee benefits within GARDA Property Group; and
- recruitment and evaluation generally.

The Nomination and Remuneration Committee is required to comprise at least three directors, who will be non-executive directors who must not hold any interest, business or other relationship which, in the opinion of the Board, would materially influence his or her independent judgement. The Nomination and Remuneration Committee will approve the annual remuneration report, and liaise with the Audit and Risk Committee. It may delegate, and has full access to management and advisors as it considers appropriate.

Audit and Risk Committee Charter

This document sets out the authority delegated by the Board to the Audit and Risk Committee, whose purpose is generally to ensure that the GARDA Property Group satisfies its statutory and regulatory responsibilities. The Audit and Risk Committee is comprised of at least three directors, who must all be non-executive directors. The Chair of the Board cannot also chair the Risk and Audit Committee. The Charter covers:

- accounting, auditing and financial reporting responsibilities;
- assessing and recommending the appointment and remuneration of the external auditor;
- reviewing and recommending procedures of the GARDA Property Group;
- assessing the financial position and performance of the GARDA Property Group;
- ensuring compliance with the Corporations Act, Listing Rules and relevant legislation;
- reviewing systems to ensure that conflicts do not occur; and
- preparing and reviewing a risk management profile to determine and manage key risks to the GARDA Capital Property Group.

The Audit and Risk Committee will meet as frequently as required to undertake its role effectively. The Managing Director and the Chief Financial Officer (or equivalent) are expected to attend, and there is a standing invitation to external auditors (and internal auditors, if and when engaged). The Committee may require attendance of any member of management, has full access to documents and records, and can engage external advisors or counsel where considered necessary or appropriate.

Code of Conduct

The Code of Conduct is a statement of commitment to honesty and integrity in the dealings of the GARDA Property Group. It sets the GARDA Property Group's core values, commitments and ethical standards, and applies to the

Board, management and employees of GARDA Property Group, as well as extending to persons who act on behalf of GARDA Property Group. It sets guidelines and reinforces GARDA Property Group's commitment to dealing with many important business aspects, including:

- conflicts of interest;
- anti-bribery and gifts, and political dealings;
- confidentiality and privacy;
- fair dealings;
- discrimination, harassment and bullying;
- health and safety;
- compliance with laws and regulations; and
- whistleblower protection.

The GARDA Property Group will be required to adopt a whistleblower policy and make it available to its officers and employees in accordance with the Corporations Act by 1 January 2020.

The company secretary and general counsel of GARDA Property Group is responsible for the administration of the Code of Conduct. A breach of the Code of Conduct can lead to sanction.

Risk Management Policy

The Risk Management Policy expresses the GARDA Property Group's commitment to a sound system of risk oversight and control throughout its business. It is based on the ASX Guidelines, and the international standard on risk management. It applies to the Board, the executives and all staff. The Policy recognises that risk identification and monitoring is a dynamic process, and is designed to provide information to deal with uncertainty on the GARDA Property Group's objectives and on the GARDA Property Group itself. The Audit and Risk Management Committee assists the Board in setting and monitoring the risk management framework. The Risk Management Policy is to be reviewed at least annually.

Disclosure and Communication Policy

This Policy notes the establishment of a Disclosure Committee of the Board, and deals generally with continuous disclosure requirements of the ASX, and best practice in communications with GDF Securityholders and stakeholders generally. It applies to the Board, officers, employees and consultants. It sets out the circumstances where it would apply, and puts in place a framework for addressing issues as and when they arise, in a timely and adequate manner. It also sets out where there are exceptions to disclosure of information, and encourages the adoption of electronic communications and other technologies.

Trading Policy

The Trading Policy applies to all directors, executive and staff of GARDA Property Group. It also applies to "Designated Persons", who may come across information in assisting a member of the GARDA Property Group. It makes it clear that dealing or trading on insider information is illegal, and sets out what is insider information as against information which is generally available. It deals with restrictions and prohibited periods, and prohibited transactions such as margin lending, short selling or hedging, with very limited defined exemptions.

7.4.2. Disclosure against ASX Guidelines

As required under the Listing Rules, where GHL determines it would be inappropriate to follow the principles because of its circumstances, GHL (as part of GARDA Property Group) will provide reasons for not doing so in its annual disclosures to ASX.

As at the Prospectus Date, the Board does not anticipate that it will depart from the recommendations in the ASX Guidelines, other than as set out below.

Recommendation	Departure
Recommendation 1.5	While the GARDA Property Group will take account of gender and broader diversity issues in its dealings, it has relatively few employees and its size does not presently warrant a formal diversity policy or targets.
Recommendation 2.1	The Board has established a Nomination and Remuneration Committee, the charter of which is summarised in Section 7.4.1. Due to the current composition of the Board, it is not possible to comply with this Recommendation and have three members of the Nomination and Remuneration Committee, a majority of whom are independent directors, with an independent

	<p>chairman.</p> <p>At the Prospectus Date, the Nomination and Remuneration Committee has three members, Mark Hallett (who chairman of the Committee), Philip Lee and Morgan Parker.</p> <p>Mr Parker is the only 'independent' Director on the Nomination and Remuneration Committee, however the Board does not consider any member of the Committee has an interest which would materially influence their independent judgement.</p>
Recommendation 2.4	<p>The Board comprises three non-executive Directors (one of whom is considered 'independent'), and one executive Director. Due to the current composition of the Board, it is not possible to comply with this Recommendation and have a majority of independent directors.</p> <p>The Board considers that the relationships of Philip Lee and Mark Hallett do not interfere with their ability to give independent judgement to issues before the Board. The Board is considering the appointment of an independent Chairman, but considers the composition of the Board to be appropriate at this stage given the skills and knowledge of the Directors, and the current size and business of the GARDA Property Group.</p>
Recommendation 2.5	<p>Since February 2017, Matthew Madsen has been the Executive Chairman of the GCM boards in an 'interim' capacity.</p> <p>Mr Madsen is also the Managing Director, with ultimate day-to-day executive responsibility, who reports to the Board separately in that capacity.</p> <p>While the Board does not consider that Mr Madsen's relationships interfere with his ability to perform the role of Chairman, the Board is considering the appointment of an independent Chairman.</p>
Recommendation 4.1	<p>The Board has established a combined Audit and Risk Committee, the charter of which is summarised in Section 7.4.1.</p> <p>At the Prospectus Date, the Audit and Risk Committee has three members, Philip Lee (who chairman of the Committee), Mark Hallett and Morgan Parker.</p> <p>Due to the current composition of the Board, it is not possible to comply with this Recommendation and have three members, all of whom are non-executive directors and a majority of whom are independent directors, with an independent chairman. However, all members of the Audit and Risk Committee are non-executive Directors, and the Board considers that the relationships of Philip Lee and Mark Hallett do not interfere with their ability to give independent judgement to issues before the Committee.</p>
Recommendation 7.1	<p>As set out above, the Board has established a combined Audit and Risk Committee, however, given the current composition of the Board, the Committee does not comprise a majority of independent directors, with an independent chairman.</p>
Recommendation 8.1	<p>As set out above, the Board has established a Nomination and Remuneration Committee, however, given the current composition of the Board, the Committee does not comprise a majority of independent directors, with an independent chairman.</p>

7.4.3. Company secretary

The GHL company secretary is responsible for ensuring that Board procedures and policies are followed and provides advice to the Board including on matters involving corporate governance and the Listing Rules. All Directors have unfettered access to the advice and services of the company secretary. As at the Prospectus Date, Lachlan Davidson is GHL's company secretary.

8. Additional information

8.1. Registration

GHL was registered in Queensland on 20 September 2019 as a public company limited by shares.

GARDA Property Group will operate on a 30 June financial year end basis for accounting and financial reporting purposes.

8.2. ASIC Relief

GARDA Property Group has applied to ASIC for modifications and/or exemptions in relation to the following sections of the Corporations Act:

Stapling

- sections 601FC(1)(c), 601FD(1)(c), 601FC(1)(e), 601FD(1)(d), 601FD(1)(e) and 601FE(1) to enable GCL to consider the interests of GDF Securityholders as a whole rather than their interests solely as members of GDF;
- part 5C.7 to allow GCL to provide financial benefits out of scheme property to GHL and their wholly owned entities while the Stapling arrangements are in place;
- sections 708(13) and 1012D(3)(b) to permit GARDA Property Group to apply dividends and distributions payable in respect of each component of a GDF Stapled Security to the acquisition of additional GDF Stapled Securities without a further disclosure document being issued;
- section 1017E(2) to allow the GARDA Capital Group to use a single bank account in relation to application money received in respect of issues of GDF Stapled Securities;

Trust Scheme

- Part 7.9 to enable GCL RE to issue GDF Units under the Trust Scheme without preparing a product disclosure statement, and the on-sale of such GDF Units (as components of GDF Stapled Securities);
- Division 2 of Part 7.7 such that GCL RE is not required to issue a financial services guide in connection with the Meeting Booklet;
- Division 5A of Part 7.9 to enable GCL RE to make an offer that may potentially being characterised as unsolicited off-market offers to purchase GCT Units; and
- item 7, section 611 to permit holders of units in GCT not associated with the Fund to vote on the resolution under item 7, section 611 for the Trust Scheme. This is relevant to the meetings of GCM Securityholders being separately held in connection with the Internalisation;

Sale Facility

- section 601FC(1)(d) to the extent it would otherwise prevent GCL RE from dealing with GDF Foreign Securityholders in the manner contemplated in this Prospectus and the Meeting Booklet; and

Prospectus

- sections 711(6) and 723(1) to facilitate the issue of the Prospectus without stating an expiry date, and without an application form accompanying it.

8.3. ASX waivers and confirmations

ASX has provided an in-principle decision to grant waivers and confirmations of the following Listing Rules as they apply to GHL and the Fund:

Waivers

Waivers from:

- Condition 8 of Listing Rule 1.1 to the extent necessary so that GHL does not need to comply with the spread requirements in that rule, on the condition that Stapling occurs, such that the parcel of GDF Stapled Securities has a value of at least \$2,000;
- Condition 9 of Listing Rule 1.1 to the extent necessary so that GHL does not need to satisfy the profit or assets test, on the condition that GHL and the Fund together satisfy one of the tests and Stapling occurs;
- Condition 2 of Listing Rule 2.1 to the extent necessary so that it is not necessary for each share in GHL to have an issue price or value of at least 20 cents, on the condition that Stapling occurs and the GDF Stapled Securities satisfy this requirement;

- Listing Rule 6.24 in respect of the requirement in clause 1 of Appendix 6A to allow GDF Group to provide ASX with an estimated dividend and distribution rate at the time of announcement on the condition that the actual rate is advised to ASX as soon as it becomes known;
- Listing Rules 7.1 and 10.11 to the extent necessary to allow GCL RE to issue new GDF Units pursuant to the Trust Scheme (including to related parties) without unitholder approval, on condition that GDF Securityholders provide all necessary approvals to implement the Internalisation and are provided with details of the Internalisation, including the issue of New GDF Stapled Securities, in the Booklet and accompanying documents;
- Listing Rule 8.10 to the extent necessary to permit GHL and GCL RE to refuse to register a transfer of quoted securities if it is not accompanied by a transfer of the other component of the GDF Stapled Security;
- Listing Rule 10.1 to the extent necessary to permit the transfer of 'substantial assets' between GHL and the Fund (and their respective wholly owned subsidiaries) without the need for GDF Securityholder approval, on condition that Stapling occurs, and neither GHL nor the Fund will issue any other equity securities that are not stapled to corresponding securities of the other component of the GARDA Property Group;
- Listing Rule 10.1 to the extent necessary to permit GHL to acquire the GCL Shares without GHL securityholder approval, on the condition that the Booklet and the Prospectus in the opinion of ASX satisfactorily disclose the terms of the Company Scheme and the Schemes are approved by GDF Securityholders for the purposes of Listing Rule 10.1;
- Listing Rule 14.11.1 to the extent necessary to permit the voting exclusion statement for Resolution 2 in the Meeting Booklet to omit the statement that the Fund must disregard votes cast by a party to the transaction, on condition that the voting exclusion statement contains a statement that the Fund will disregard votes cast by GCL, unless the votes cast on behalf of a person who is not GCL, or a related party or an associate of GCL, and who directs the holder of the units to vote for or against the resolution;

Confirmations

Confirmations that:

- ASX has no objection to the timetable for the Internalisation;
- based on the information provided, ASX is not aware of any reason why GHL would not be suitable for admission to the official list of ASX under Listing Rules 1.1 condition 1;
- no additional information is required to satisfy the ASX that each director of GHL is of good fame and character;
- the terms of the GDF Stapled Securities are appropriate for the purposes of Listing Rules 2.1 condition 1 and 6.1;
- GDF Stapled Securities will be considered 'equity securities' for the purpose of Listing Rule 19.12;
- ASX will permit stapling of GHL Shares and GDF Units and joint quotation of the GDF Stapled Securities, temporary un-stapling while the Schemes are implemented and, immediately following implementation of the Schemes, re-stapling of the GHL Shares and GDF Units and continued quotation of the GDF Stapled Securities, provided GHL provides to ASX an undertaking (and indemnity) confirming that the re-Stapling will occur; and
- ASX will not exercise its discretion to require unitholder approval under Listing Rule 11.1.2 in relation to the changes resulting from the Internalisation, nor require GDF to re-comply with the requirements in chapters 1 and 2 of the Listing Rules.

8.4. Substantial holders

The substantial holders of GHL (being those persons with Relevant Interests in more than 5% of GHL's voting shares) as at the Prospectus Date are:

Holder	No. of GHL Shares held	% of GHL Shares held
The Custodian as custodian of GDF	185,356,359	100%

8.5. Policy for approval of related party transactions

GHL may establish, maintain and comply with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage any conflicts of interest.

8.6. Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of GHL; or
- underwriter to the offer or financial services licensee named in this Prospectus as a financial services licensee involved in the offer,

holds as at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

- the formation or promotion of GHL;
- property acquired or proposed to be acquired by GHL in connection with its formation or promotion or the offer under this Prospectus; or
- the offer under this Prospectus.

Talbot Sayer has acted as Australian legal adviser to GCL RE and GHL in connection with the Internalisation. GARDA Property Group has paid or agreed to pay an amount of approximately \$200,000 (plus GST and disbursements) in respect of these services. Talbot Sayer may also be paid additional amounts in accordance with its standard hourly rates.

Pitcher Partners has acted as the Investigating Accountant and provided the Independent Limited Assurance Report in Annexure A to the Meeting Booklet. GARDA Property Group has paid or agreed to pay an amount of approximately \$180,000 (plus GST and disbursements) in respect of these and other services provided. Pitcher Partners may also be paid additional amounts in accordance with its standard hourly rates.

Moelis has acted as financial adviser in connection with the Internalisation. GARDA Property Group has paid or agreed to pay an amount of approximately \$500,000 (plus GST and disbursements) in respect of these services, subject to successful implementation of the Internalisation. Subject to satisfactory performance in respect of the Internalisation, Moelis will also have a right of refusal in respect of mergers and acquisitions until 31 December 2020 and capital raising activity for 12 months following the Implementation Date.

Lonergan Edwards has acted as the Independent Expert and provided the independent expert's report included in section 9 of the Meeting Booklet. GARDA Property Group has paid or agreed to pay an amount of approximately \$275,000 (plus GST and disbursements) in respect of these and other services provided. Lonergan Edwards may also be paid additional amounts in accordance with its standard hourly rates.

PwC is entitled to be paid approximately \$135,000 (plus GST and disbursements) in fees and charges for tax advice provided to GCL RE and GHL up to the Prospectus Date, in connection with the preparation of this Prospectus, the Internalisation and listing of GHL, including the tax advice in section 10 of the Meeting Booklet. PwC may also be paid additional amounts in accordance with its standard hourly rates.

Russell McVeagh has acted as New Zealand legal adviser to GCL RE and GHL in connection with the Internalisation. GARDA Property Group has paid or agreed to pay Russell McVeagh in accordance with its standard hourly rates.

The Registry is entitled to be paid approximately \$50,000 (plus GST and disbursements) in fees and charges for providing services in connection with the distribution of this Prospectus.

8.7. Consents

The persons listed in the following table have given, and have not before the Prospectus Date withdrawn, their written consent to be named in the Prospectus and in the form and context in which they are named.

Name of entity	Named as
Talbot Sayer	Australian legal advisor
Pitcher Partners	Investigating Accountant
Moelis	Financial advisor
Lonergan Edwards	Independent Expert
PwC	Tax advisor
The Trust Company (Australia) Limited	Custodian
Russell McVeagh	Legal advisor (NZ)

The persons listed in the above table have not made any statement that is included in this Prospectus, or any statement on which a statement in this Prospectus is based. The persons listed in the above table expressly disclaim and take no responsibility for any statements in or omissions from this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given above.

Each Director has given and has not, before the Prospectus Date, withdrawn their consent to be named in this Prospectus as a Director in the form and context in which they are named and for the statements made by and on behalf of them to be included in this Prospectus.

8.8. Privacy

Information gathered by GCL RE and GHL to implement the Internalisation or in relation to the Meeting may be personal information for the purposes of the Privacy Act. GHL (and the Registry on its behalf) will collect, hold and use that personal information to implement the Internalisation, service your needs as an investor, provide facilities and services that you request and administer GARDA Property Group. The Corporations Act requires certain particulars of securityholders to be collected and maintained in a public register. Access to information may also be provided to GCL RE's and GHL's agents and service providers on the basis that they deal with such information as required by law.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) GHL and GCL RE. You can request access to your personal information by telephoning or writing to GHL and GCL RE. You can access our privacy policy at <https://www.gardacapital.com.au/privacy-policy/>.

8.9. Cooling off period

Cooling off rights do not apply to the distribution of the GHL Shares, or the issue of Stapled Securities under the terms of the Internalisation.

8.10. CHES

ASX has an automated transfer and settlement system for transactions in securities quoted on ASX called the Clearing House Electronic Sub-register System (**CHES**).

GARDA Property Group will apply for the GDF Stapled Securities to participate in CHES, in accordance with the Listing Rules and the ASX Settlement Operating Rules.

GARDA Property Group will also, in accordance with the Listing Rules and the ASX Settlement Operating Rules, maintain an electronic CHES sub-register (for GDF Securityholders who are participants in CHES or sponsored by such a participant) and an electronic issuer sponsored sub-register (for all other GDF Securityholders). These two sub-registers will together make up the GARDA Property Group's principal register of GDF Securityholders.

Following Stapling and at least one trading day prior to the commencement of normal trading of the GDF Stapled Securities on ASX, GDF Securityholders will be sent an initial holding statement that sets out the number of GDF Stapled Securities registered in their name and the GDF Securityholder's "Holder Identification Number", or in the case of issuer sponsored holders, the "Securityholder Reference Number".

GDF Securityholders will subsequently receive statements showing any changes to their holding of GDF Stapled Securities. Certificates will not be issued for either the GHL Shares or GDF Units comprising the GDF Stapled Securities.

A GDF Securityholder who wishes to have GDF Stapled Securities sponsored by a CHES participant should forward their initial statement of holding and "Securityholder Reference Number" (upon receipt) to their Broker who will transfer their holding onto the CHES sub-register.

8.11. Trading on a deferred settlement basis

It is expected that trading of the GDF Stapled Securities on the ASX will commence on or about 20 November 2019 on a deferred settlement basis, and will continue until the commencement of normal settlement trading.

On the business day after GCL RE advises the ASX that initial holding statements have been dispatched to GDF Securityholders, which is expected to occur on or about 2 December 2019, normal settlement trading will commence.

It is the responsibility of each person who trades in the GDF Stapled Securities to confirm their holding before trading in the GDF Stapled Securities. If the GDF Stapled Securities are sold before receiving a holding statement, purchasers of these securities will do so at their own risk.

GARDA Property Group disclaims all liability, whether in negligence or otherwise, if a GDF Securityholder sells the GDF Stapled Securities before receiving a holding statement, even if the GDF Securityholder obtained details of their

holding from the GDF Information Line or confirmed their firm allocation through a broker.

8.12. Registry services

The shareholder register of GHL will be maintained by the Registry. The Registry can be contacted at Level 21, 10 Eagle Street, Brisbane QLD 4000 or www.linkmarketservices.com.au or +61 7 3320 2200.

8.13. Governing law

This Prospectus and the contracts that arise from the distribution of GHL Shares are governed by the law applicable in Queensland Australia and each investor submits to the non-exclusive jurisdiction of the courts of Queensland Australia.

8.14. Further information and continuous disclosure

GHL will be a “disclosing entity” under the Corporations Act and subject to regular reporting and disclosure obligations under the Corporations Act and additional obligations under the Listing Rules.

Further information about the Fund, the GARDA Capital Group and the GARDA Property Group can be found at www.gardacapital.com.au. All public reports and continuous disclosures will be accessible through this website.

Information relating to the Internalisation and the GDF Stapled Securities that is not materially adverse or required to be included in a supplementary disclosure document may be updated and made available to you on the website at www.gardacapital.com.au.

If you have any queries about this Prospectus or the Internalisation, you should contact the GDF Information Line on 1300 889 100.

If you are unclear in relation to any matter or uncertain as to the suitability of this investment for your personal circumstances, you should seek professional advice from your broker, lawyer, accountant or financial advisor.

8.15. Directors' consent and statement

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed by a Director of GHL, under section 351 of the Corporations Act on behalf of GHL.

Signed for and on behalf of GHL by:



Philip Lee
Director

9. Glossary

In this document:

Defined term	Definition
AAS	means the Australian Accounting Standards.
ABN	means Australian Business Number.
ACN	means Australian Company Number.
AEST	means Australian Eastern Standard Time.
AFSL	means Australian Financial Services Licence.
ARSN	means Australian Registered Scheme Number.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires.
ASX Settlement Operating Rules	means the operational settlement rules of the ASX, as released from time to time by the ASX.
ASX Guidelines	means the ASX Corporate Governance Principles and Recommendations (as amended from time to time).
Board	means the board of directors of GHL.
Company Scheme	means the acquisition by GHL of GCL by way of scheme of arrangement under Part 5.1 of the Corporations Act.
Condition	mean a condition to Stapling set out in Section 2.2.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Court	means the Supreme Court of Queensland or such other court of competent jurisdiction GARDA Property Group and GARDA Capital Group may agree in writing.
Custodian	means The Trust Company (Australia) Limited ACN 000 000 993 in its capacity as custodian of GDF or GCT, as context requires.
Directors	mean the directors of GHL.
Existing Unit	means the GDF Units on issue at the Stapling Record Date.
Free Float	has the meaning given to it in the Listing Rules.
GARDA Capital Group or GCM	means GCL and GFML as responsible entity of GCT, which is currently listed on the ASX as a stapled entity under the code 'GCM'.
GARDA Finance	means GARDA Finance Pty Ltd ACN 104 184 367, a Subsidiary of GCL.
GARDA Property Finance	means GARDA Property Finance Pty Ltd ACN 603 846 411, a Subsidiary of GCL.
GARDA Property Group	means GHL, GDF (including the GCL RE and the Custodian as context requires) and their Subsidiaries from time to time.
GARDA Services	means GARDA Services Pty Ltd ACN 109 910 894, a Subsidiary of GCL.
GCL	means GARDA Capital Limited ACN 095 039 366 in its own right (and if the context requires, includes GCL's Subsidiaries), which currently forms part of the stapled group listed on the ASX under the code 'GCM'.

Defined term	Definition
GCL RE	means GCL in its capacity as responsible entity of the Fund.
GCM Board Committee	means the committee of the boards of GCL and GFML as responsible entity of GCT established in connection with the Internalisation to represent GCM, comprising Matthew Madsen and Mark Hallett.
GCM Disclosure Document	means the combined product disclosure statement and prospectus for GCM issued by GCL and GFML in its capacity as responsible entity of GCT dated 9 June 2016, available at www.asx.com.au .
GCM Security	means a stapled security comprising a fully paid ordinary share in GCL and a GCT Unit.
GCM Securityholder	means a holder of GCM Securities.
GCM Securityholder Meetings	means the meetings of GCM Securityholders to obtain approvals necessary to implement the Internalisation, currently expected to be held on or around 15 November 2019.
GCT	means GARDA Capital Trust ARSN 150 164 720, ABN 56 488 615 248, which currently forms part of the stapled group listed on the ASX under the code 'GCM'.
GCT Unit	means a fully paid ordinary unit in GCT.
GDF Foreign Securityholder	mean a GDF Securityholder whose registered address is outside of Australia and New Zealand.
GDF Information Line	means the information line for the Internalisation, being: Within Australia: 1300 889 100 Outside Australia: +61 1300 889 100
GDF or the Fund	means GARDA Diversified Property Fund ARSN 104 391 273, ABN 17 982 396 608, which is listed on the ASX under the code 'GDF'.
GDF Product Disclosure Statement	means the product disclosure statement for the Fund dated 22 May 2015, available at www.asx.com.au .
GDF Securityholder	means a holder of GDF Units and, following Stapling, a holder of GDF Stapled Securities.
GDF Stapled Security	means a stapled security comprising one GDF Unit and one GHL Share, stapled together as a result of the implementation of the Internalisation.
GDF Unit	means a fully paid ordinary unit in the capital of the Fund.
GFML	means GARDA Funds Management Limited ACN 140 857 405, a Subsidiary of GCL and the responsible entity of GCT.
GHL	means GARDA Holdings Limited ACN 636 329 774 (and if the context requires, includes GHL's Subsidiaries).
GHL Constitution	means the constitution of GHL, the key terms of which are set out in Section 3.
GHL Share	means a fully paid ordinary share in the capital of GHL.
GRES	means GARDA Real Estate Services Pty Ltd ACN 102 792 709, a Subsidiary of GCL.
GST	has the meaning given to that term in Section 195 – 1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> as amended.
Implementation Date	means the date the Internalisation is fully implemented, expected to be 29 November 2019.
Implementation Deed	means the deed between GCL RE, GHL, GCL (in its own right) and GFML as responsible entity of GCT which sets out the steps necessary to implement the Internalisation.
Independent Limited Assurance Report	means the report prepared by the Investigating Accountant and contained as Annexure A to the Meeting Booklet.

Defined term	Definition
Independent Directors	means independent director Morgan Parker and non-executive director Philip Lee, ³ or the committee of the boards representing GHL and GCL RE comprising Morgan Parker and Philip Lee established in connection with the Internalisation.
Independent Expert or Lonergan Edwards	means Lonergan Edwards & Associates Limited ACN 095 445 560, AFSL 246532.
Internalisation	means the proposal to internalise the management of GDF, including through the distribution of GHL Shares to GDF Securityholders, the stapling of GDF Units to GHL Shares to form GDF Stapled Securities, the acquisition by GDF of GCT and the acquisition by GHL of GCL, as described in the Meeting Booklet.
Investigating Accountant or Pitcher Partners	means Pitcher Partners Corporate Finance Limited ABN 99 054 784 619, AFSL 255516.
Listing Rules	means the official Listing Rules of ASX as amended or waived from time to time.
Meeting	means the meeting of GDF Securityholders to consider the Internalisation to be held at 10.00 AEST on Friday, 1 November 2019 at Dexus Place, Level 31, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000 and any adjournment of that meeting.
Meeting Booklet	means the Notice of Meeting and Explanatory Memorandum issued by GCL RE to be accompanied by this document, in respect of the Internalisation.
Moelis	means Moelis Australia Advisory Pty. Ltd. ABN 72 142 008 446.
New GDF Stapled Security	means a GDF Unit and a GDF Share to be issued as consideration under the Schemes, which will be stapled to form a GDF Stapled Security.
Notice of Meeting	means the notice of meeting set out in section 12 of the Meeting Booklet.
Official List	means the official list of the ASX.
Privacy Act	means the <i>Privacy Act 1988</i> (Cth).
Pro Forma Historical Consolidated Balance Sheet of GHL	means the pro forma historical balance sheet of GHL as at the Prospectus Date, as set out in Section 6.3.
Prospectus	means this document dated on the Prospectus Date.
Prospectus Date	means 4 October 2019.
PwC	means PricewaterhouseCoopers ABN 52 780 433 757.
Registry or Link Market Services	means Link Market Services Limited ABN 54 083 214 537.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Resolutions	means the resolutions set out in the Notice of Meeting.
Sale Facility	means the sale facility referred to in section 11.4 of the Meeting Booklet relating to GDF Foreign Securityholders.
Schemes	means the Company Scheme and the Trust Scheme.
Schemes Record	means the date and time which determines the entitlements of GCM Securityholders to New GDF Stapled Securities under the Schemes, currently expected to be on or around 22

³ Morgan Parker is an independent non-executive director who was appointed to the GCM boards on 13 December 2018. Philip Lee has been a non-executive Director since 21 May 2015. Mr Lee has not historically been described as independent in disclosures to the ASX given his roles within Morgans, which was involved in GCM and GDF's initial public offers and subsequent capital raising activity. Mr Lee remains a senior executive but has not been a director of Morgans since 2011, and Morgans is not providing services to GCM or GDF in connection with the Internalisation. The Board has formed the view that there are no circumstances preventing Mr Lee from bringing an independent judgement to bear on issues relating to the Internalisation.

Defined term	Definition
Date	November 2019.
Second Court Date	means the day on which the Court is requested to make the orders required to implement the Schemes.
Section	means a section of this Prospectus.
Stapling	means the stapling of GDF Units to GHL Shares, such that the securities cannot be traded separately.
Stapling Commencement Date	means the date determined by GCL RE and GHL to be the day on which a GDF Unit and a GHL Share will become Stapled, if the Conditions are satisfied or waived, currently expected to be on or around 21 November 2019.
Stapling Record Date	means the date allocated by the Fund to determine which GDF Securityholders are eligible to receive the distribution of one GHL Share for each Existing Unit they hold from the Fund, expected to be on or around 21 November 2019.
Subsidiary	has the meaning given to it in the Corporations Act and, without limitation: <ul style="list-style-type: none"> • a trust may be a subsidiary of an entity, for the purpose of which a unit or other beneficial interest will be regarded as a share, and • an entity may be a subsidiary of a trust if it would have been a subsidiary if that trust were a body corporate.
Talbot Sayer	means Talbot Sayer Lawyers ABN 93 168 129 075.
Treasury Stock	means the GDF Units (or, after implementation of the Stapling, GDF Stapled Securities) held by the Custodian in its capacity as custodian of GCT from time to time.
Trust Scheme	means the acquisition by the Custodian in its capacity as custodian of GDF of GCT with approval of GCT unitholders under item 7 of section 611 of the Corporations Act.
US Securities Act	means the <i>US Securities Act of 1933</i> (as amended).

Corporate directory

Company

GARDA Holdings Limited
ACN 636 329 774
Level 21, 12 Creek Street
Brisbane QLD 4000
www.gardacapital.com.au

Directors

Matthew Madsen
Morgan Parker
Mark Hallett
Philip Lee

Company secretary

Lachlan Davidson

Share registry

Link Market Services Limited
ABN 54 083 214 537
Level 21, 10 Eagle Street
Brisbane QLD 4000
www.linkmarketservices.com.au

Custodian

The Trust Company (Australia) Limited
ABN 21 000 000 993
Level 18, 123 Pitt Street
Sydney NSW 2000

Financial adviser

Moelis Australia
ABN 72 142 008 446
Level 27, Governor Philip Tower, 1 Farrer Place
Sydney, NSW, 2000
www.moelisaustralia.com

Australian legal adviser

Talbot Sayer Lawyers
ABN 93 168 129 075
Level 27, 123 Eagle Street
Brisbane QLD 4000
www.talbotsayer.com.au

Investigating Accountant

Pitcher Partners Corporate Finance Limited
ABN 99 054 784 619
Level 38, 345 Queen St
Brisbane City QLD 4000
<http://www.pitcher.com.au/>

Independent Expert

Lonergan Edwards & Associates Limited
ABN 53 095 445 560
Level 7, 64 Castlereagh St
Sydney NSW 2000
www.lonerganedwards.com.au

Tax adviser

PricewaterhouseCoopers
ABN 52 780 433 757
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000
www.pwc.com.au





GARDA

GARDA Capital Limited

(ACN 095 039 366) (AFSL 246714)

as the Responsible Entity of the

GARDA Diversified Property Fund (ARSN 104 391 273)

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

GARDA Diversified Property Fund
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

02 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: 1300 554 474



X99999999999

PROXY FORM

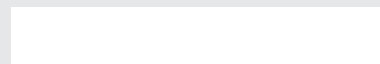
I/We being a member(s) of GARDA Diversified Property Fund (Fund) and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting (mark box)

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



or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at a General Meeting of the Fund to be held at **10:00am on Friday, 1 November 2019 at Dexus Place, Level 31, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Fund if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolution

For Against Abstain*

1 General approval of Internalisation

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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2 Approval of acquisition of GARDA Capital Group under Listing Rule 10.1

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

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)



Joint Securityholder 2 (Individual)



Joint Securityholder 3 (Individual)



Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

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

GDF PRX1901A



HOW TO COMPLETE THIS UNITHOLDER PROXY FORM

YOUR NAME AND ADDRESS

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

APPOINTMENT OF PROXY

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

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF A SECOND PROXY

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

To appoint a second proxy you must:

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

SIGNING INSTRUCTIONS

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

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

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

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

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

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Fund's unit registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Wednesday, 30 October 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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



ONLINE

www.linkmarketservices.com.au

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



BY MAIL

GARDA Diversified Property Fund
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

02 9287 0309



BY HAND

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

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

(Note: If posting or delivering by hand, your proxy must arrive before 5:00pm Tuesday, 29 October 2019.)

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