1 Homebush Bay Drive
Building C, Level 3
Rhodes NSW 2138

02 9767 2000

PO Box 3307
Rhodes NSW 2138

australand.com.au

14 July 2014

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir or Madam

Australand Holdings Limited (ACN 008 443 696), Australand Property Trust (ARSN 106 680 424), Australand Property Trust No.4 (ARSN 108 254 413) and Australand Property Trust No.5 (ARSN 108 254 771) ("Australand") - takeover offer by Frasers Amethyst Pte. Ltd. ("Frasers")

Australand today lodged its Target's Statement in relation to the off-market takeover offer by Frasers. The Target's Statement has been sent to Frasers and lodged with the Australian Securities and Investments Commission today.

Enclosed is a copy of the Target's Statement.

We request that this announcement is immediately released to the market through the announcement platform pages of Australand.

Yours sincerely

Bev Booker
Group Company Secretary

AUSTRALAND PROPERTY GROUP

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT ABOUT HOW TO DEAL WITH THIS DOCUMENT, YOU SHOULD CONSULT YOUR FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Target's Statement

This Target's Statement has been issued by **Australand** in response to the off-market cash takeover bid made by **Frasers Amethyst Pte. Ltd.**, a wholly owned subsidiary of **Frasers Centrepoint Limited**

Australand comprises Australand Holdings Limited (ACN 008 443 696), Australand Property Trust (ARSN 106 680 424), Australand Property Trust No.4 (ARSN 108 254 413) and Australand Property Trust No.5 (ARSN 108 254 771)

ACCEPT the Offer

Your Directors unanimously recommend that you ACCEPT the Offer in the absence of a Superior Proposal.

To accept the Offer, complete, sign and return the Acceptance Form enclosed with the Bidder's Statement prior to the Closing Date.

FINANCIAL ADVISERS

MACQUARIE

FORT STREET ADVISERS

LEGAL ADVISER

KING & WOOD MALLESONS

Important Information

Nature of this document

This document is a Target's Statement issued by Australand under Part 6.5 Division 3 of the Corporations Act in response to the Offer made pursuant to the Bidder's Statement dated 1 July 2014, which was served on Australand by the Bidder on 1 July 2014. This document should be read in its entirety.

Defined terms

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

No account of personal circumstances

This Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of each Australand Securityholder. The Australand Directors encourage you to seek independent financial, tax or other professional advice before making a decision whether or not to accept the Offer.

Disclaimer regarding forward looking statements

This Target's Statement contains forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Australand operates as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of Australand, any of its officers or employees, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on Frasers and the Bidder, contained in this Target's Statement, has been prepared by Australand using publicly available information. The information in this Target's Statement concerning Frasers and the Bidder, including Frasers' and the Bidder's assets and liabilities, financial position, funding and performance, profits and losses and prospects and information about its related parties, has not been independently verified by Australand. Accordingly, Australand does not, subject to the Corporations Act and general law, make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared solely in accordance with Australian law.

Maps and diagrams

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

Privacy

Australand has collected your information from the register of Australand Securityholders for the purposes of providing you with this Target's Statement. The type of information Australand has collected about you includes your name, contact details and information about your securityholding in Australand. Without this information, Australand would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the names and addresses of Australand Securityholders to be held in a public register.

Your information may be disclosed on a confidential basis to Australand's related bodies corporate and external service providers (such as Australand's Security registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC and ASX.

If you would like details of information about you held by Australand, please contact Link Market Services. Australand's privacy policy is available on Australand's website at www.australand.com.au.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and sent to ASX. None of ASIC, ASX or any of their respective officers takes any responsibility for the content of this Target's Statement.

Securityholder Information Line

Australand has established the Securityholder Information Line which Australand Securityholders should call if they have any queries in relation to the Offer. The telephone number for the Securityholder Information Line is:

- 1800 882 147 (toll free for calls within Australia); or
- +61 1800 882 147 (for callers outside Australia),

which is available Monday to Friday between 9.00am and 5.00pm (EST).

Further information relating to the Offer can be found on the ASX website (www.asx.com.au ASX code: ALZ).

Contents

Key Dates	
Date of the Offer	7 July 2014
Date of this Target's Statement	14 July 2014
Close of the Offer Period (unless extended or withdrawn)	7 August 2014

Chairman's Letter

14 July 2014

1 Homebush Bay Drive
Building C, Level 3
Rhodes NSW 2138

02 9767 2000

PO Box 3307
Rhodes NSW 2138

australand.com.au

Dear Australand Securityholder,

ACCEPT the Offer for your Australand Securities, in the absence of a Superior Proposal

On 1 July 2014, Australand announced that it had entered into a Bid Implementation Agreement with Singapore-listed Frasers Centrepoint Limited (**Frasers**) in relation to the offer by Frasers Amethyst Pte. Ltd. (the **Bidder**), a wholly owned subsidiary of Frasers, to acquire all of Australand's stapled securities (the **Australand Securities**) by way of an off-market takeover offer (the **Offer**). You should have recently received the Bidder's Statement containing the Offer from the Bidder.

Australand Securityholders are being offered cash consideration of $4.48 per Australand Security (the **Offer Price**). In addition, Australand Securityholders will be entitled to a distribution which represents the expected second half 2014 distribution of 12.75 cents per Australand Security pro-rated for the period from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014 (the **Allowed Distribution**).

Australand Securityholders on the register as at 5.00pm (EST) on 30 June 2014 will receive payment of the first half 2014 distribution of 12.75 cents per Australand Security without reducing the Offer Price (the **First Half Distribution**). This distribution is expected to be paid on 6 August 2014.

The Offer is subject to a number of conditions, including the Bidder and its Associates together having relevant interests in more than 50% of all Australand Securities (on a fully diluted basis) and other conditions as outlined in the Bidder's Statement. In deciding whether to accept the Offer, you should consider the conditions remaining to be satisfied.

After having carefully considered the Offer, the Australand Directors unanimously recommend that you ACCEPT the Offer, in the absence of a Superior Proposal. In addition, each of those Australand Directors who hold or control Australand Securities intends to ACCEPT the Offer in respect of those Securities, in the absence of a Superior Proposal.

The Australand Directors appointed KPMG to provide an Independent Expert's Report on the Offer. The Independent Expert's Report is contained in Annexure A of this Target's Statement and the Australand Directors encourage you to read the report in its entirety. In its report, KPMG:

- concludes that the Offer is fair and reasonable to Australand Securityholders, in the absence of a Superior Proposal; and

- estimates Australand's equity value to be in the range of $4.22-$4.54 per Australand Security on a fully diluted basis.

Section 2.2 of this Target's Statement outlines the reasons for the Australand Directors' unanimous recommendation that you ACCEPT the Offer. Amongst other reasons, the Australand Directors believe you should ACCEPT the Offer because:

- the value of the Offer represents a compelling value proposition. The Offer Price reflects a premium of:

- 22% to Australand's estimated net tangible assets per Australand Security of $3.68 as at 30 June 2014;
- 15% to Australand's volume weighted average price for the three months up to 18 March 2014 (the day prior to Stockland announcing its 19.9% interest in Australand) of $3.88; and
- 15% to Australand's last trading price on 18 March 2014 of $3.89.

- the Offer provides certainty of value through 100% cash consideration;
- the Independent Expert has concluded that the Offer is fair and reasonable to Australand Securityholders, in the absence of a Superior Proposal;
- the trading price of Australand Securities could potentially fall if the Offer is not successful and no Superior Proposal emerges;
- there are a number of risks that would be associated with being a minority Australand Securityholder; and
- there is no Superior Proposal at the date of this Target's Statement.

The Offer is scheduled to close at 7.00pm (EST) on 7 August 2014, unless extended or withdrawn. To accept the Offer, you should carefully read and follow the instructions outlined in the Bidder's Statement and complete the Acceptance Form enclosed with the Bidder's Statement.

The Australand Directors urge you to read this Target's Statement in its entirety and carefully consider the Offer, having regard to your own personal risk profile, investment strategy and tax position. You should seek independent financial, taxation or other professional advice if you are in any doubt as to what you should do in response to the Offer.

The Australand Directors will keep you informed if there are any material developments with respect to the Offer. Announcements relating to the Offer and Australand can be found on the ASX website (www.asx.com.au ASX code: ALZ).

Paul Isherwood AO
Chairman
Australand Property Group

Reasons to ACCEPT the Offer

The Australand Directors unanimously recommend that you ACCEPT the Offer, in the absence of a Superior Proposal. The reasons for this recommendation are:

✓ **The value of the Offer represents a compelling value proposition**

✓ **The Offer provides certainty of value through 100% cash consideration**

✓ **The Independent Expert has concluded that the Offer is fair and reasonable, in the absence of a Superior Proposal**

✓ **The trading price of Australand Securities could potentially fall if the Offer is not successful and no Superior Proposal emerges**

✓ **There are a number of risks that would be associated with being a minority Australand Securityholder**

✓ **There is no Superior Proposal at the date of this Target's Statement**

Possible reasons why you may choose not to accept the Offer are also outlined in Section 2.3 of this Target's Statement.

Directors' intention to ACCEPT

Each Australand Director intends to ACCEPT the Offer in respect of the Australand Securities they hold or control, in the absence of a Superior Proposal.

How to ACCEPT the Offer

To accept the Offer, you should follow the instructions set out in section 7.3 of the Bidder's Statement and on the Acceptance Form. To be effective, your acceptance of the Offer must be received by 7.00pm (EST) on 7 August 2014 (unless the Offer is extended).

If you do not wish to accept the Offer you do not need to do anything.

1 Frequently asked questions

You may have questions in relation to the Offer. The following set of questions and answers is intended to assist in your understanding of the Offer. They are qualified by, and should be read in conjunction with, all other parts of this Target's Statement.

No.	Question	Answer	Further information
1	**Who is the Bidder?**	The Bidder is a wholly owned subsidiary of Frasers. Frasers is a Singapore company listed on the SGX that engages in property development, investment and management of commercial property, serviced residences and property trusts. Fraser's portfolio principally comprises properties in Singapore, Australia and other parts of Asia. Frasers was founded in 1963 and is headquartered in Singapore.	*See Section 4.1 for more detail in relation to the Bidder.* *You should also refer to section 1 of the Bidder's Statement for more detail in relation to the Bidder.*
2	**What is the Bidder offering for my Australand Securities?**	The Bidder is offering \$4.48 in cash for each Australand Security you hold. In addition you may also be eligible to receive the Allowed Distribution.	*See Section 4 for further detail on the Offer.* *See also section 7 of the Bidder's Statement.*
3	**What is the Allowed Distribution?**	Australand Securityholders will be entitled to a distribution which represents the expected second half 2014 distribution of 12.75 cents per Australand Security pro-rated for the period from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014. The Allowed Distribution is an amount that will be paid in addition to the Offer Price.	*See Section 4.2 for further detail on the Allowed Distribution.*
4	**What is the status of the First Half Distribution?**	Australand Securityholders on the register at 5.00pm (EST) on 30 June 2014 are eligible to receive payment of the first half 2014 distribution of 12.75 cents per Security. This is expected to be paid on 6 August 2014. The First Half Distribution is an amount that will be paid in addition to the Offer Price.	*See Section 4.2 for further detail on the First Half Distribution.*
5	**What choices do I have as an Australand Securityholder?**	As an Australand Securityholder, you have the choice to: • ACCEPT the Offer in respect of all of the Australand Securities that you hold at the time of acceptance; or • sell all or some of your Australand Securities independently of the Offer (unless you have already accepted the Offer for your Australand Securities and have not validly withdrawn your acceptance); or • do nothing. If you accept the Offer, you will be agreeing to transfer all (and not some) of the Australand Securities that you hold to the Bidder.	*See Section 3 for more detail in relation to your choices as an Australand Securityholder.*

No.	Question	Answer	Further information
		In making your decision, you should carefully consider the Directors' recommendation and other important information set out in this Target's Statement.	
6	**What do the Australand Directors recommend?**	The Australand Directors unanimously recommend that you ACCEPT the Offer, in the absence of a Superior Proposal.	*The key reasons why the Directors unanimously recommend you ACCEPT the Offer are detailed in Section 2.*
7	**What are the Australand Directors doing in respect of their own Australand Securities?**	Each of the Australand Directors who are Australand Securityholders intend to accept (or to procure the acceptance of) the Offer in respect of all Australand Securities that they respectively hold or control, in the absence of a Superior Proposal.	*See page 6 for further detail on the Directors' intentions for their own Australand Securities.*
8	**What does the Independent Expert say?**	The Australand Directors engaged KPMG to opine on whether the Offer is fair and reasonable and to prepare an Independent Expert's Report on the Offer. In its report, KPMG: • concludes that the Offer is fair and reasonable to Australand Securityholders, in the absence of a Superior Proposal; and • estimates Australand's equity value to be in the range of $4.22-$4.54 per Australand Security on a fully diluted basis.	*The Independent Expert's Report accompanies this Target's Statement as Annexure A.*
9	**How do I ACCEPT the Offer?**	To accept the Offer, you must: • complete the Acceptance Form enclosed with the Bidder's Statement; and • return it to the Bidder at the address set out in that form, prior to the expiry of the Offer Period (currently scheduled to be 7.00pm (EST) on 7 August 2014 unless extended).	*See section 7.3 of the Bidder's Statement and the Acceptance Form.*
10	**When do I have to make a decision?**	If you wish to accept the Offer, you must do so before its scheduled closing date. The Offer is presently scheduled to close at 7:00pm (EST) on 7 August 2014 but the Offer Period can be extended in certain circumstances.	*See Section 4.6 for details on the circumstances in which the Offer Period may be extended.*
11	**Can I accept the Offer for only some of my Australand Securities?**	No, you cannot accept the Offer for only some of your Australand Securities. You may only accept the Offer for all of your Australand Securities that you hold at the time of acceptance.	*See Section 4.2 for a summary of the Offer.*
12	**Could the Bidder increase the Offer Price?**	The Bidder has not declared the Offer to be final. Accordingly, the Bidder is able to increase the Offer Price, if it chooses to do so. As at the date of this Target's Statement, the Bidder has not indicated any intention to increase the Offer Price.	

No.	Question	Answer	Further information
13	**What happens if the Bidder does increase the Offer Price?**	If you accept the Offer and the Offer Price is subsequently increased, you will be entitled to receive the increased consideration. Also, if the Offer Price is increased in the last seven days of the Offer Period, the Offer Period will be automatically extended so that the Offer Period ends 14 days after the Offer Price is increased. However, if you sell your Australand Securities independently of the Offer you will not be eligible for the benefit of any increase in the Offer Price.	
14	**What happens if I accept the Offer and a Superior Proposal is made by a third party for my Australand Securities?**	If you accept the Offer, you are only able to withdraw your acceptance in limited circumstances. Accordingly, if you accept the Offer, you may be unable to accept any Superior Proposal from a third party that may emerge. There is no Superior Proposal at the date of this Target's Statement.	*See Section 4.10 for further detail in relation to the implications of a Superior Proposal.*
15	**What are the Conditions to the Offer?**	The Offer is currently subject to a number of Conditions. The Conditions (in summary form) include the following: **Conditions not in the control of Australand** • the Bidder and its Associates together having relevant interests in more than 50% of all Australand Securities (on a fully diluted basis); and • no restraining orders. **Conditions in the control of Australand** • Australand continuing to conduct its business in the ordinary course; • no changes to Australand's distribution policy; • no further issuance of Australand Securities or Australand Performance Rights; • no material change by Australand to its senior management team; • no Prescribed Occurrences; and • no material acquisitions or disposals. The Offer was also subject to a FIRB Approval Condition. This Condition was satisfied on 9 July 2014. Under the terms of the Offer and the provisions of the Corporations Act, any or all of the Conditions may be waived by the Bidder. Under the Bid Implementation Agreement, Frasers has agreed that once the minimum acceptance Condition is satisfied, the Bidder will waive all other Conditions within 3 Business Days other than any Conditions in respect of which the Bidder has publicly announced a breach or a suspected breach before that time.	*The Conditions are set out in full in section 7.7 of the Bidder's Statement.*

No.	Question	Answer	Further information
16	**What is the Bid Implementation Agreement?**	On 1 July 2014, Australand entered into a Bid Implementation Agreement with Frasers which sets out the manner in which Australand and Frasers have agreed to co-operate with each other in relation to the Offer. The Bid Implementation Agreement provides Frasers with exclusivity until the end of the Offer Period and also provides for a number of customary deal protections in favour of Frasers (including a break fee of 1.0% of the aggregate value of the Offer) in certain circumstances and subject to certain exceptions. If a Superior Proposal emerges, Australand has the right to terminate the Bid Implementation Agreement subject to Frasers' matching rights. Other circumstances in which the Bid Implementation Agreement may be terminated are set out in clause 12 of the Bid Implementation Agreement.	*See Section 7.2 for further information in relation to the Bid Implementation Agreement.* *See also section 6.5 of the Bidder's Statement.* *A copy of the full Bid Implementation Agreement is attached to the ASX announcement made by Australand on 1 July 2014.*
17	**What are the consequences of accepting the Offer now?**	By accepting the Offer, you will: • give up your right to sell any Australand Securities; and • give up your right to otherwise deal with any Australand Securities while the Offer remains open, unless withdrawal rights are available (see question 19 below).	*See Section 4.9 for further information on the consequences of accepting the Offer.* *See also section 7.4 of the Bidder's Statement.*
18	**What happens if there is a Superior Proposal?**	At the date of this Target's Statement there is no Superior Proposal. However, under the terms of the Bid Implementation Agreement, if a Superior Proposal emerges from a third party, the Bidder is entitled to match that Superior Proposal. If a majority of the Directors recommend a Competing Transaction or a Competing Transaction substantially completes on or before 31 March 2015, Australand has agreed to pay Frasers a break fee.	*See Sections 4.10, 7.2(b)(iv) and 7.2(c) for further information in relation to the impact of a Superior Proposal.*
19	**Can acceptances be withdrawn?**	Generally no. You only have limited rights to withdraw your acceptance of the Offer. One of those circumstances is if the Bidder extends the Offer Period by more than one month and the Offer is still subject to Conditions.	*You should refer to section 7.4(e) of the Bidder's Statement for details of the effect of acceptance.*
20	**What happens if I accept the Offer and the Conditions are not fulfilled or waived?**	If the Conditions are not fulfilled or waived before the end of the Offer Period and the Offer Period has not been extended, the Offer will lapse and your acceptance of the Offer will be void and of no effect whatsoever. In this event, your acceptance will be cancelled, no consideration will be payable to you for your Australand Securities and you will continue to own your Australand Securities.	*See Section 4.3 for further detail in relation to the Conditions of the Offer.*

No.	Question	Answer	Further information
21	**What happens if the Conditions are fulfilled or waived?**	If you have accepted the Offer and each Condition is fulfilled or waived, then the Offer will become unconditional and you will receive the Offer Price from the Bidder. If this occurs before 31 December 2014, you will also receive the Allowed Distribution from Australand. If this occurs on or after 31 December 2014, and you were an Australand security holder on the Allowed Distribution Record Date, you would have already become entitled to the Allowed Distribution from Australand.	*See section 6.3 of the Bidder's Statement.*
22	**How will I know when the Offer is unconditional?**	The Bidder is required to inform Australand Securityholders as soon as any Conditions are fulfilled or waived. Notices from the Bidder will be available on the ASX website (www.asx.com.au ASX code: ALZ).	*See Section 4.4 for further detail on the notice requirements of the Bidder if the Offer becomes unconditional.*
23	**What are the implications if the Bidder acquires more than 50% but less than 90% of all Australand Securities?**	If the Bidder and its Associates acquire more than 50% but less than 90% of all Australand Securities under the Offer then, assuming all other Conditions are fulfilled or waived, the Bidder and its Associates will hold a majority securityholding in Australand. In those circumstances, Australand Securityholders who do not accept the Offer will be minority Australand Securityholders. This has a number of implications including that the Bidder will be in a position to cast the majority of votes at a general meeting and control the composition of the Board of Australand. Further, this could have a possible impact on Australand's financial performance and certain of Australand's financing arrangements and material contracts as well as the liquidity of Australand Securities. In addition, Frasers intends to arrange for Australand to be removed from the official list of ASX, see question 24 below.	*See Section 4.12 for further information on the implications of being a minority Australand Securityholder.*
24	**Will Australand remain listed on ASX?**	**Upon acquisition of 90% or more of all the Australand Securities** Frasers has stated that it intends to arrange for Australand to be removed from the official list of ASX. **Upon acquisition of less than 90% of all the Australand Securities** Frasers has stated that it intends to review Australand's listing on ASX. Subject to compliance with law and applicable ASX guidance, Frasers has stated that it will seek to arrange for Australand to be removed from the official list of ASX.	*See Section 4.11 to 4.13 for information in relation to the potential delisting of Australand.* *See also sections 3.2 and 3.3 of the Bidder's Statement for further information in relation to Frasers' intentions.*
25	**When will I receive the Offer Price if I accept the Offer?**	If you accept the Offer, you will have to wait for the Offer to become unconditional before you will receive the Offer Price from the Bidder. The Bidder has stated that, subject to no other additional documents being required (either by the	*See Section 4.15 for further information about when you will receive the Offer Price.* *See also section 7.9 of*

No.	Question	Answer	Further information
		Acceptance Form or otherwise) to be given to the Bidder with your acceptance to enable the Bidder to become the holder of your Securities (such as a power of attorney), you will be sent payment of the Offer Price by the later of 15 Business Days after the date that the Offer becomes unconditional, or 10 Business Days after the date that you accept the Offer.	*the Bidder's Statement.*
26	**What happens if I do nothing?**	If the Bidder and its Associates acquire: • 90% or more of all Australand Securities and the Offer becomes unconditional, Frasers has stated that it intends to compulsorily acquire your Australand Securities at the Offer Price. If your Australand Securities are compulsorily acquired, you will receive the Offer Price at a later time than those Australand Securityholders that accept the Offer; • more than 50% and less than 90% of all Australand Securities and the Offer becomes unconditional, you will be a minority Australand Securityholder; or • 50% or less of all Australand Securities, the minimum acceptance condition will not have been fulfilled meaning the Offer will lapse (unless that Condition is waived by the Bidder) and you will remain an Australand Securityholder.	*See Sections 4.11 and 4.12 for further information on the implications of being a minority Australand Securityholder.*
27	**Can I be forced to sell my Australand Securities?**	You cannot be forced to sell your Australand Securities unless the Bidder is legally entitled to proceed to compulsory acquisition of Australand Securities. The Bidder and its Associates will need to acquire at least 90% of all Australand Securities (under the Offer or otherwise) in order to exercise compulsory acquisition rights. If the Bidder and its Associates acquire more than 90% of all Australand Securities and the Bidder proceeds to compulsory acquisition, then you will be paid the same consideration for your Australand Securities that you would have received under the Offer.	*See Section 4.11 for further detail in relation to compulsory acquisition.* *See also section 3.2 of the Bidder's Statement.*
28	**Can I sell my Australand Securities independently of the Offer?**	You can sell your Australand Securities independently of the Offer unless you have accepted the Offer in respect of your Australand Securities and have not validly withdrawn your acceptance. If you sell your Australand Securities independently of the Offer: • you will not benefit from any possible increase in the Offer Price that may be provided under the Offer or any other offer, should one be made; and • you may incur brokerage charges.	*See Section 3 for further detail in relation to your options with respect to your Australand Securities.*

No.	Question	Answer	Further information
29	**What are the tax implications of the Offer?**	A general outline of the tax implications for certain Australian resident and non-resident Australand Securityholders of the Offer is set out in Section 6. The information in Section 6 is general in nature and does not take into account your individual circumstances. You are encouraged to seek your own tax advice as to the taxation implications applicable to your circumstances.	*See Section 6 for a summary of the tax implications of the Offer.*
30	**What if I am an employee of Australand holding Australand Performance Rights?**	The Offer extends to Australand Securities issued between the Offer Record Date and the end of the Offer Period as a result of the vesting of certain Australand Performance Rights that existed as at the Offer Record Date. If the Bidder and its Associates together have relevant interests in more than 50% of all Australand Securities (on a fully diluted basis) and the Offer becomes unconditional then certain Australand Performance Rights will vest and you will receive Australand Securities in respect of those vested Australand Performance Rights. You can then deal with those Australand Securities as you wish, including by accepting the Offer. If you are in any doubt about how to deal with your Australand Performance Rights, you are encouraged to seek independent financial, tax or other professional advice.	*See Section 7.6 for detail on how the Offer impacts Australand's employee arrangements.*
31	**What are the implications of the Offer for ASSETS?**	Subject to the Offer becoming unconditional and the Bidder and its Associates acquiring a relevant interest in more than 50% of all Australand Securities (on a fully diluted basis), Australand and Frasers have stated that their current intention is that the Issuer exercise its right of redemption in respect of all of the ASSETS, as soon as practicable.	*See Section 7.4 for further detail in relation to the Bidder's intentions with respect to ASSETS.* *See also sections 3.2(c)(iii) and 3.3(c)(iii) of the Bidder's Statement.*
32	**What if I have further questions?**	You should contact your financial, taxation or other professional adviser. If you have questions about the Offer or this Target's Statement, please call the Securityholder Information Line on 1800 882 147 (toll free for calls within Australia) or +61 1800 882 147 (for callers outside Australia) Monday to Friday between 9.00am and 5.00pm (EST). Announcements made to ASX by Australand and other information relating to the Offer can be obtained from the ASX website (www.asx.com.au ASX Code: ALZ).	

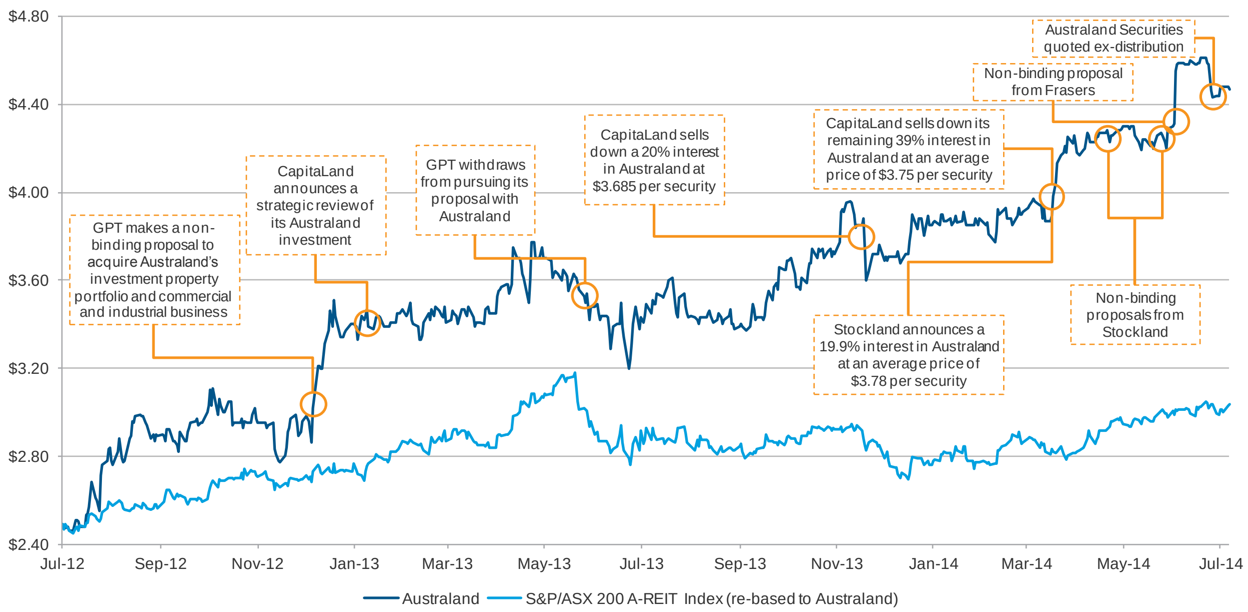
2 Evaluation of the Offer

2.1 Background to the Offer

There has been significant corporate activity surrounding Australand over the past two years. As highlighted in the chart below, some of the key events which have occurred in this time include:

- GPT making a non-binding proposal to acquire Australand's investment property portfolio and commercial and industrial business (7 December 2012);
- CapitaLand announcing a strategic review of its investment in Australand (10 January 2013) and selling down its 59% interest in two tranches (20 November 2013 and 19 March 2014);
- Stockland announcing an interest in 19.9% of Australand (19 March 2014);
- two non-binding proposals from Stockland to acquire 100% of Australand Securities for Stockland scrip (23 April 2014 and 28 May 2014);
- the non-binding cash proposal from Frasers (3 June 2014); and
- the signing of the Bid Implementation Agreement (1 July 2014) and making of the Offer (7 July 2014).

Australand's trading price (July 2012 to present)



2.2 Reasons to ACCEPT the Offer

After having carefully considered the Offer, the Australand Directors unanimously recommend that you ACCEPT the Offer, in the absence of a Superior Proposal, for the following key reasons.

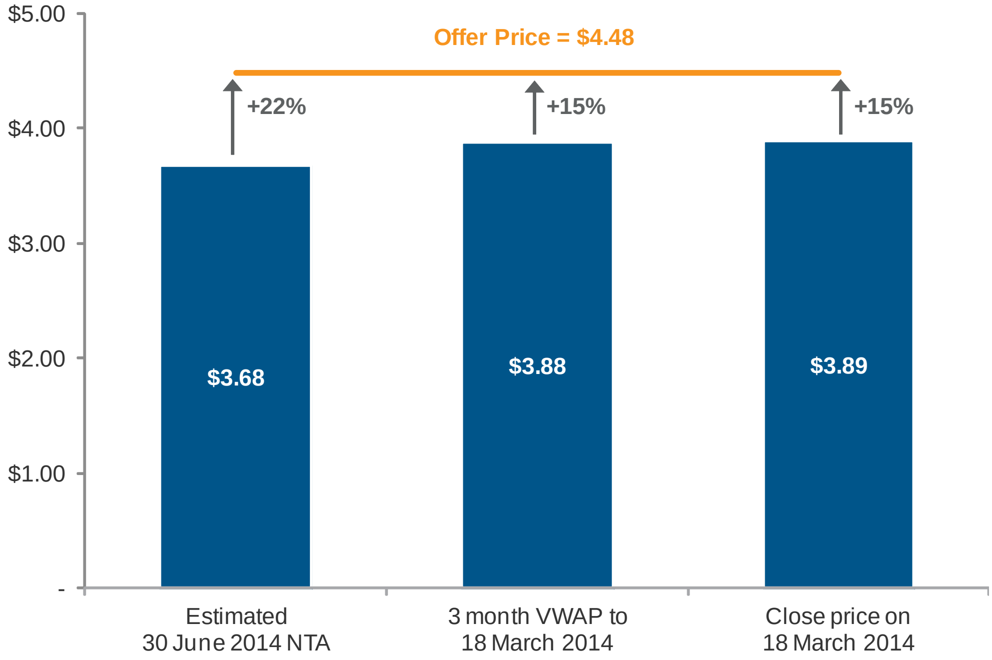
(a) The value of the Offer represents a compelling value proposition

Australand Securityholders are being offered cash consideration of $4.48 per Australand Security (the **Offer Price**). In addition, Australand Securityholders will be entitled to a distribution which represents the expected second half 2014 distribution of 12.75 cents per Australand Security pro-rated for the period from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014 (the **Allowed Distribution**).

Australand Securityholders on the register as at 5.00pm (EST) on 30 June 2014 will receive payment of the first half 2014 distribution of 12.75 cents per Australand Security without reducing the Offer Price (the **First Half Distribution**). This distribution is expected to be paid on 6 August 2014.

Both the Allowed Distribution and the First Half Distribution are amounts that will be paid in addition to the Offer Price. To the extent any other Australand distributions were to be paid, the Offer Price would be reduced by a corresponding amount.

The Offer Price represents a premium over Australand's Estimated NTA and trading levels prior to Stockland announcing its interest in 19.9% of Australand on 19 March 2014, as shown in the chart below.



(b) The Offer provides certainty of value through 100% cash consideration

The Offer Price provides Australand Securityholders with certainty of value, being wholly cash consideration.

By accepting the Offer, you will eliminate your exposure to the risks associated with an investment in Australand. These risks include, but are not limited to, security price volatility caused by general market conditions and Australand's operational performance. Should you not accept the Offer (or should it fail to complete), the realisable amount for your Australand Securities will remain subject to these risks.

(c) The Independent Expert has concluded that the Offer is fair and reasonable, in the absence of a Superior Proposal

The Australand Directors appointed KPMG to prepare an Independent Expert's Report to consider the Offer. KPMG has concluded that the Offer is FAIR and REASONABLE to Australand Securityholders, in the absence of a Superior Proposal. A summary of the Independent Expert's findings are set out below.

(i) **The Offer is fair**

The Independent Expert has assessed Australand's equity value to be in the range of $4.22-$4.54 per Australand Security on a fully diluted basis.

On the basis that the Offer Price is within the Independent Expert's assessed equity value range per Australand Security, the Independent Expert has concluded that the Offer is FAIR, in the absence of a Superior Proposal.

(ii) **The Offer is reasonable**

The Independent Expert has concluded that the Offer is REASONABLE on the basis that it is fair. Nonetheless, the Independent Expert recognises a number of other factors that support the reasonableness of the Offer, including:

- advantages and disadvantages of the Offer which the Independent Expert identified includes:
  - the Offer allows Australand Securityholders to realise their investment at a premium to the recent security prices prior to the Offer being announced and a premium to the net tangible asset value;
  - the Offer provides an additional benefit of the Allowed Distribution;
  - the Offer provides certainty of price and outcome for Securityholders;
  - the Offer is currently superior to the other proposals; and
  - the Offer will result in reinvestment risk; and
- implications if the Offer is not accepted.

The above summary should be read in conjunction with the Independent Expert's Report, which is contained in Annexure A of this Target's Statement. The Australand Directors encourage you to read the Independent Expert's Report in its entirety.

(d) The trading price of Australand Securities could potentially fall if the Offer is not successful

It is possible that Australand Securities will trade below current levels if the Offer does not proceed and no Superior Proposal emerges.

(e) There are a number of risks that would be associated with being a minority Australand Securityholder

If you do not accept the Offer you will be exposed to the ongoing risks associated with an investment in Australand. These risks are considered in further detail in Section 5.2 of this Target's Statement.

Frasers' and the Bidder's current intention is to acquire all Australand Securities. As such and assuming the Offer becomes unconditional, Australand Securityholders who do not accept the Offer may be exposed to the following consequences:

- where the Bidder and its Associates acquire a relevant interest in more than 50% of all Australand Securities:
  - the Bidder will have the right to determine the composition of the Australand Board of Directors;
  - the Bidder will be able to pass an ordinary resolution at a meeting of Australand Securityholders which, amongst other outcomes, could result in a change in the current strategic direction of Australand;
  - a change of control of Australand will be deemed to occur which may impact some of Australand's material contracts (this is discussed in further detail in Section 4.14); and
  - non-resident Securityholders will no longer benefit from MIT withholding tax on certain distributions. See Section 6.3(b) for further details.
- where the Bidder and its Associates acquire a relevant interest in at least 75% of all Australand Securities, they will be able to pass a special resolution at a meeting of Australand Securityholders

which, amongst other outcomes, could permit the Bidder to make changes to Australand's constitutions;

- where the Bidder and its Associates acquire a relevant interest in at least 90% of all Australand Securities, the Bidder may become entitled to acquire your Australand Securities through the implementation of compulsory acquisition procedures in accordance with the Corporations Act. If this occurs, you will be compelled to sell your Australand Securities to the Bidder but may not receive your consideration for a number of months;
- the liquidity of Australand Securities could be reduced and Australand could be fully or partially removed from a number of market indices. If the latter were to occur, amongst other impacts, this could further reduce the liquidity of Australand Securities as certain classes of investors may be prohibited from taking positions in Australand and it could also reduce the extent of analyst coverage of Australand; and
- Australand may not maintain its listed status if, for example, the number of Australand Securityholders falls below the admission criteria specified in the ASX Listing Rules and, if delisting were to occur, Australand Securities will not be able to be bought or sold on ASX.

Frasers' and the Bidder's current intentions if the Offer becomes unconditional but it does not achieve a relevant interest sufficient to proceed to compulsory acquisition are set out in section 3.3 of the Bidder's Statement.

(f) There is no Superior Proposal at the date of this Target's Statement

There is no Superior Proposal at the date of this Target's Statement.

As discussed in Section 2.1, corporate activity has surrounded Australand since December 2012. Whilst Australand has received a number of non-binding and incomplete proposals from several parties since that time, no other party has submitted an offer for Australand that the Australand Directors have considered compelling or that Australand Securityholders have been capable of accepting.

Most recently, on 28 May 2014 Australand received a non-binding, conditional, scrip proposal from Stockland, which was stated to be final in the absence of a superior proposal.

As announced on 3 June 2014, the Australand Directors determined that the Offer from Frasers provides a superior value outcome for Australand Securityholders relative to Stockland's conditional scrip proposal. In addition, it is important to recognise that Stockland's proposal was non-binding, indicative and subject to a number of conditions and, therefore, it is not a proposal that is capable of acceptance by Australand Securityholders.

2.3 Possible reasons you may choose not to accept the Offer

Below are some possible reasons why you may choose not to accept the Offer, in the absence of a Superior Proposal.

(a) You may wish to remain an Australand Securityholder

If you accept the Offer, you will no longer be entitled to exercise the rights of an Australand Securityholder.

(b) You may disagree with the Australand Directors' recommendation and the Independent Expert's conclusion

You may hold a different view to the Australand Directors and the Independent Expert and believe that the value of the Offer is inadequate.

(c) You may consider that there is potential for a Superior Proposal to emerge

Although it may be possible for a Superior Proposal for Australand to materialise, as at the date of this Target's Statement, there is no Superior Proposal.

(d) You may want to sell your Australand Securities independently of the Offer

You may not wish to remain an Australand Securityholder and may instead wish to liquidate your investment in Australand by selling your Australand Securities independently of the Offer.

(e) The tax consequences of the Offer may not be suitable to your financial position

The tax consequences of the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian tax consequences of the Offer is set out in Section 6. The outline provided is of a general nature only and you should seek your own specific tax advice as to the tax consequences applicable to your circumstances.

3 Your choices as an Australand Securityholder

The Australand Directors unanimously recommend that you ACCEPT the Offer in the absence of a Superior Proposal, for the reasons set out in Section 2.2.

However, as an Australand Securityholder you have three options currently available to you. You are encouraged to read this Target's Statement in full, together with the Independent Expert's Report, and seek appropriate financial, tax or other professional advice if you are unsure what you should do in response to the Offer.

Option 1 **ACCEPT the Offer**	You may choose to accept the Offer for your Australand Securities. You are only able to accept the Offer in respect of all of the Australand Securities that you hold at the time of acceptance. The Bidder is offering $4.48 in cash for each Australand Security you hold. In addition you may also be eligible to receive the Allowed Distribution. The Allowed Distribution represents the expected second half 2014 distribution of 12.75 cents per Australand Security pro-rated for the period from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014. The Allowed Distribution is an amount that will be paid in addition to the Offer Price. You will only receive the Offer Price if each of the Conditions to the Offer are either fulfilled or waived within the prescribed periods. The consequences of accepting the Offer are discussed in sections 7.4(b) and 7.6 of the Bidder's Statement and the circumstances in which acceptances of the Offer may be withdrawn are discussed in section 7.4(e) of the Bidder's Statement. If you accept the Offer, you will not be able to sell any of your Australand Securities unless, at the time you decide that you no longer wish to accept the Offer, you have the right to withdraw your acceptance and you exercise that right. If the Conditions are not satisfied by the end of the Offer Period or are not waived within the prescribed period, then the Offer will lapse and your acceptance of the Offer will be void. If this occurs, you will continue to hold your Australand Securities and be free to deal with them as if the Offer had not been made.
Option 2 **Sell your Australand Securities independently of the Offer**	You can sell your Australand Securities independently of the Offer if you have not accepted the Offer. If you sell your Australand Securities independently of the Offer, you: (a) will not receive the benefits of any potential higher offer from the Bidder or any potential higher competing offer for Australand Securities if one were to be made; (b) will not receive the Allowed Distribution if you sell prior to the ex-distribution date for the Allowed Distribution; (c) may incur a brokerage charge; and (d) may be liable for goods and services tax on incidental costs associated with the sale (such as the brokerage charge).
Option 3 **Reject the Offer**	If you do not wish to accept the Offer or do not wish to sell any of your Australand Securities you should take no action. If you choose not to accept the Offer, the Bidder will not be able to acquire your Australand Securities unless the Offer is declared unconditional and the Bidder and its Associates have acquired a relevant interest in at least 90% of all Australand Securities (on a fully diluted basis) at the end of the Offer Period. In that event, the Bidder will become entitled to, and Frasers has stated its current intention is to, compulsorily acquire all Australand Securities. See Section 4.11 for further information regarding compulsory acquisition. If your Australand Securities are compulsorily acquired, you will receive the Offer Price at a later time than those Australand

	Securityholders that accept the Offer. However, you will be entitled to the Allowed Distribution. In addition, if you choose not to accept the Offer and the Bidder and its Associates together have a relevant interest in more than 50% but less than 90% of all Australand Securities by the end of the Offer Period, you will be exposed to the risks associated with being a minority Australand Securityholder. Some of these risks are explained in Sections 2.2(e), 4.12 and 4.14.

4 Information about the Bidder, Frasers, the Offer and other important issues

4.1 Profile of the Bidder and Frasers

(a) Overview of the Bidder

The Bidder is a wholly owned subsidiary of Frasers. The Bidder was incorporated in Singapore on 27 June 2014 for the purposes of making the Offer and to invest in Australand Securities.

The directors of the Bidder are Mr Panote Sirivadhanabhakdi, Mr Chotiphat Bijananda, Mr Lim Ee Seng, Mr Chia Khong Shoong, Mr Piya Treruangrachada and Mr Jerry Yang Chiang Lee.

(b) Overview of Frasers

Frasers is an international real estate company incorporated and headquartered in Singapore. It is listed on the Main Board of the SGX.

The directors of Frasers are Mr Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi, Mr Charles Mak Ming Ying, Mr Chan Heng Wing, Mr Philip Eng Heng Nee, Mr Wee Joo Yeow, Mr Weerawong Chittmittrapap, Mr Chotiphat Bijananda, Mr Panote Sirivadhanabhakdi and Mr Sithichai Chaikriangkrai. See section 1.6 of the Bidder's Statement for further information about Frasers' directors.

Details of Frasers, including financial information concerning Frasers, can be found on Frasers' website (www.fraserscentrepoint.com).

(c) Principal activities of Frasers

Frasers' principal activities are property development, investment and management of commercial property (comprising office, business and retail space), serviced residences and property trusts.

(d) Frasers' portfolio

Frasers' total assets were approximately A$9.8 billion[1] as at 31 March 2014. Frasers has three core businesses focused on residential, commercial and hospitality properties spanning over 30 cities across Asia, Australasia, Europe and the Middle-East.

Frasers is also the sponsor of two real estate investment trusts listed on the Main Board of the SGX, Frasers Centrepoint Trust and Frasers Commercial Trust, which are focused on retail, and office and business space properties, respectively.

(e) Frasers' strategy and objectives

Frasers has stated in the Bidder's Statement that its strategies are to:

- achieve sustainable earnings growth through significant development project pipeline, investment properties and fee income;
- grow Frasers' asset portfolio in a balanced manner across geographies and property segments to preserve stability of earnings; and
- optimise capital productivity through real estate investment trust platforms and active asset management initiatives.

[1] Based on AUD/SGD of 1.1678 as of 29 May 2014.

4.2 Summary of the Offer

Australand Securityholders are being offered cash consideration of $4.48 per Australand Security (the **Offer Price**). In addition Australand Securityholders will be entitled to a distribution which represents the expected second half 2014 distribution of 12.75 cents per Australand Security, pro-rated for the period from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014 (the **Allowed Distribution**).

Under the Bid Implementation Agreement, Australand must announce to ASX the Allowed Distribution within 2 Business Days after the earlier of the Offer becoming unconditional and 18 December 2014. The record date for the Allowed Distribution will be 5 Business Days after the date of the announcement of the Allowed Distribution (the **Allowed Distribution Record Date**) and, in the case where the Allowed Distribution Record Date is after the date on which the Offer becomes unconditional, payment must be made within 10 Business Days of the Allowed Distribution Record Date.

If the Offer has not become unconditional by 31 December 2014 then the full second half 2014 distribution (currently expected to be 12.75 cents per Security) will be paid following the end of the 2014 calendar year.

Australand Securityholders on the register as at 5.00pm (EST) on 30 June 2014 will receive payment of the first half 2014 distribution of 12.75 cents per Australand Security without reducing the Offer Price (the **First Half Distribution**). This distribution is expected to be paid on 6 August 2014.

Both the Allowed Distribution and the First Half Distribution are amounts that will be paid in addition to the Offer Price. To the extent any other Australand distributions were to be paid, the Offer Price would be reduced by a corresponding amount.

The Bidder has not declared the Offer to be final. Accordingly, the Bidder may increase the Offer Price, for example, in the event of an alternative proposal being announced by another party. If the Bidder increases the Offer Price, the Corporations Act entitles any Australand Securityholder who has already accepted the Offer to receive the increased Offer Price from the Bidder.

The Offer is made to each person registered as a holder of Australand Securities on the register of Australand as at the Offer Record Date and extends to:

(a) holders of securities (including Australand Performance Rights) that are on issue at the Offer Record Date who become registered or entitled to be registered as the holder of Australand Securities during the period from the Offer Record Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities; and

(b) any other person who becomes registered as the holder of Australand Securities during the Offer Period.

The Bidder is offering to acquire all of your Australand Securities. Accordingly, you may only accept the Offer in respect of all of your Australand Securities at the time of your acceptance.

4.3 Conditions to the Offer

The Offer is subject to a number of Conditions which are set out in section 7.7 of the Bidder's Statement.

If any of these Conditions are not fulfilled or waived by the Bidder before the end of the Offer Period (including any extended Offer Period), then the Offer will lapse and no consideration will be received by any Australand Securityholders who have accepted the Offer.

When considering how these Conditions may affect the prospects of the success of the Offer, you should be aware that there is no certainty as to whether the Conditions will be fulfilled.

Some Conditions are wholly or partly outside of Australand's control. Other Conditions may require Australand to take (or refrain from taking) various actions, where fulfilling those Conditions might not be in the interests of Australand Securityholders.

Under the Bid Implementation Agreement, Frasers has agreed that once the minimum acceptance Condition is satisfied, the Bidder will waive all other Conditions within 3 Business Days, other than any Conditions in respect of which it has publicly announced a breach or suspected breach before that time.

The Offer was subject to a FIRB Approval condition which was fulfilled on 9 July 2014.

The Conditions which are not fulfilled or waived as at the date of this Target's Statement are set out in summary form only in the tables below (the Conditions are set out in full in section 7.7 of the Bidder's Statement).

(a) Conditions wholly or partly out of Australand's control

1.	**(Minimum acceptance)** the Bidder and its Associates together have a relevant interest in more than 50% of all Australand Securities (on a fully diluted basis).
2.	(**No restraining orders**) Until the end of the Offer Period, no restraining or divestiture orders are made (or investigations commenced or applications made) in connection with the Offer by a Regulatory Authority which restrains the making of the Offer, or acquisition of Australand Securities, or seeks to require the divestiture of Australand Securities by the Bidder.

(b) Conditions which may require Australand to take (or refrain from taking) actions which may not be in the interests of Australand Securityholders

1.	(**Conduct of Australand business**) Until the end of the Offer Period, Australand's business is carried on in the ordinary course, except as approved in writing by Frasers.
2.	(**No change to Australand distribution policy**) Until the end of the Offer Period, Australand must not make any change to its distribution policy.
3.	(**No issue of Australand Securities or Australand Performance Rights**) Until the end of the Offer Period, Australand must not issue any Australand Securities (other than the issue of a Security on vesting of an existing Australand Performance Right).
4.	(**Australand makes no material change to its senior management**) Until the end of the Offer Period, Australand must not make any material change to its senior management.
5.	(**No Prescribed Occurrences**) Until the end of the Offer Period, no Prescribed Occurrences occur except as contemplated by the Bid Implementation Agreement. For example, Australand must not convert Australand Securities into a larger or smaller number, resolve to reduce its capital or become insolvent.
6.	(**No material acquisitions or disposals**) Except for any proposed transaction publicly announced by Australand before the Bid Implementation Agreement or approved by Frasers, until the end of the Offer Period, Australand must not make any material acquisitions or disposals of a value greater than A$70 million (either alone or in aggregate).

4.4 Notice of Status of Conditions

Section 7.8(e) of the Bidder's Statement indicates that the Bidder will give a Notice of Status of Conditions to ASX and Australand on 31 July 2014.

The Bidder is required to set out in the Notice of Status of Conditions:

(a) whether the Offer is free of any or all of the Conditions;

(b) whether, so far as the Bidder knows, any of the Conditions have been fulfilled on the date the notice is given; and

(c) the Bidder's voting power in Australand.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, the Bidder is required, as soon as practicable after the extension, to give a notice to ASX and Australand that states the new date for the giving of the Notice of Status of Conditions.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give ASX and Australand a notice that states that the particular Condition has been fulfilled.

4.5 Offer Period

Unless the Offer is extended or withdrawn, it is open for acceptance until 7.00pm (EST) on 7 August 2014.

The circumstances in which the Bidder may extend or withdraw the Offer are set out in Sections 4.6 and 4.7 respectively.

4.6 Extension of the Offer Period

The Bidder may extend the Offer Period at any time before it gives the Notice of Status of Conditions (referred to in Section 4.4 above) while the Offer is subject to Conditions. The Bidder has no obligation to voluntarily extend the Offer Period and may elect not to do so.

Further, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

(a) the Bidder improves the Offer Price; or

(b) the Bidder and its Associate's voting power in Australand increases to more than 50%.

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

The maximum duration of the Offer Period is 12 months.

4.7 Withdrawal of the Offer

The Bidder may not withdraw the Offer if you have already accepted it (although the Conditions may not be fulfilled and the Offer may lapse if those Conditions are not waived). Before you accept the Offer, the Bidder may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

4.8 Lapse of the Offer

The Offer will lapse if the Conditions are not fulfilled or waived by the end of the Offer Period. In such circumstances, all contracts resulting from acceptance of the Offer and all acceptances that have not yet resulted in binding contracts are void. In that situation, you will be free to deal with your Australand Securities as you see fit.

4.9 Effect of acceptance

The effect of acceptance of the Offer is set out in sections 7.4 and 7.6 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Australand Securities and the representations and warranties which you give by accepting the Offer.

If you accept the Offer while it is conditional, some of the consequences include the following (subject to your limited rights to withdraw your acceptance of the Offer as discussed in section 7.4(e) of the Bidder's Statement):

(a) you will give up your rights to sell your Australand Securities on ASX (or any other trading platform) or otherwise deal with them while the Offer remains open (this would prevent you from accepting any Superior Proposal from another party that may emerge); and

(b) you will relinquish control of your Australand Securities with no guarantee of payment until the Offer becomes unconditional.

Further, by accepting the Offer, you agree to each of the matters in section 7.6 of the Bidder's Statement. These matters include you agreeing that:

(a) your Australand Securities are fully paid and the Bidder will acquire good title to them and full beneficial ownership of them free from all encumbrances, interests of third parties of any kind (whether legal or otherwise) and restrictions on transfer; and

(b) if and when the contract resulting from your acceptance of the Offer becomes unconditional (even though the Bidder has not yet paid or provided the consideration to you), you irrevocably appoint the Bidder as your attorney to exercise all powers and rights that you have as the registered holder of your Australand Securities, including the right to attend any meeting of Australand Securityholders and vote in respect of your Australand Securities (with such appointment terminating on the registration of the Bidder as the holder of your Australand Securities).

4.10 Superior Proposal

If you accept the Offer, you may forfeit the opportunity to benefit from a Superior Proposal made by another party for your Australand Securities (if such a proposal were to eventuate). However, if the Bidder improves the Offer Price, all Australand Securityholders, whether or not they have already accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

If another proposal were to be announced during the Offer Period, Australand would issue a supplementary target's statement concerning the Offer.

4.11 Compulsory acquisition

Frasers has stated in section 3.2 of the Bidder's Statement that if the Bidder becomes entitled to proceed to compulsorily acquire Australand Securities in accordance with the Corporations Act, it intends to do so (although Frasers has not made any determination as to when it would proceed with compulsory acquisition of the remaining Australand Securities under the Corporations Act).

(a) Following Offer

Under Part 6A.1 of the Corporations Act, the Bidder will be able to compulsorily acquire any outstanding Australand Securities for which it has not received acceptances on the same terms as the Offer if during, or at the end of, the Offer Period, the Bidder and its Associates:

- have a relevant interest in at least 90% of all Australand Securities; and
- have acquired at least 75% of all Australand Securities for which the Bidder has made an Offer.

If these thresholds are met, the Bidder will have until one month from the end of the Offer Period to give compulsory acquisition notices to Australand Securityholders who have not accepted the Offer. The consideration payable by the Bidder will be the Offer Price last offered under the Offer.

(b) Future compulsory acquisition

If the Bidder does not become entitled to compulsorily acquire Australand Securities in accordance with the above procedures, it may nevertheless subsequently become entitled to exercise general compulsory acquisition rights in relation to the Australand Securities under Part 6A.2 Division 1 of the Corporations Act.

Broadly, the Bidder will be entitled to compulsorily acquire all outstanding Australand Securities if the Bidder and its related bodies corporate have a full beneficial interest in at least 90% of all Australand Securities.

Compulsory acquisition notices must be lodged within six months after the Bidder becomes a 90% holder pursuant to these provisions.

The Bidder's price for compulsory acquisition under this procedure would have to be considered in a report by an independent expert.

Australand Securityholders may challenge any compulsory acquisition relating to their Australand Securities, but this would require the relevant Australand Securityholder to establish to the satisfaction of a court that the terms of the offer do not represent 'fair value' for their Australand Securities.

4.12 Consequences of the Bidder acquiring less than 90% of all Australand Securities

If the Bidder and its Associates receive acceptances under the Offer constituting more than 50% but less than 90% of all Australand Securities then, assuming all Conditions are fulfilled or waived, they will have a majority securityholding in Australand.

In those circumstances, Australand Securityholders who do not accept the Offer will be minority Australand Securityholders. This has a number of potential implications, including:

(a) the Bidder will be in a position to cast the majority of votes at a general meeting of Australand. This will enable the Bidder to control the composition of the Australand Board and senior management, and control the strategic direction of the business of the Australand Property Group;

(b) Frasers may pursue the intentions which it has set out in section 3 of the Bidder's Statement;

(c) a possible impact on Australand's financing arrangements and material contracts, as described in more detail in Section 4.14;

(d) the trusts comprising Australand will no longer qualify as MITs for tax purposes with the result that non-resident Securityholders will no longer benefit from MIT withholding tax on certain distributions (15% on fund payments to residents of an Information Exchange Country and 30% not resident in those countries). See Section 6.3(b) for further detail in relation the MIT implications;

(e) the liquidity of Australand Securities may be lower than at present, and there is a risk that Australand could be removed from certain market indices due to lack of spread, free float or liquidity;

(f) the Bidder may seek to have Australand removed from the official list of ASX. If delisting occurs, Australand Securities will not be able to be bought or sold on ASX. The Bidder's Statement states that Frasers intends to seek to arrange for Australand to be removed from the official list of ASX. See Section 4.13 for more details on ASX delisting; and

(g) certain Australand Performance Rights held by Australand employees will vest. All other Australand Performance Rights will lapse. See Section 7.6 for more information on arrangements with Australand employees.

In addition, if the Bidder and its Associates have 75% or more of all Australand Securities, they will be able to pass a special resolution of Australand. This would enable the Bidder, among other things, to change Australand's constitutions.

If the Offer lapses, or if the Bidder and its Associates acquire less than 90% of Australand Securities and Australand remains listed on ASX, the trading price of Australand Securities may be higher or lower than the Offer Price. If you remain an Australand Securityholder in this circumstance, you will continue to enjoy the rewards, and be subject to the risks, of being an Australand Securityholder.

4.13 ASX delisting

Frasers has stated that if, at the end of the Offer Period, the Bidder and its Associates have a relevant interest in at least 50% of all Australand Securities it will seek to arrange for Australand to be removed from the official list of ASX (see sections 3.2 and 3.3 of the Bidder's Statement). ASX is not required to act on an entity's request for removal from the official list and may require conditions to be satisfied before it does so.

In January 2014, ASX released Guidance Note 33 – *Removal of Entities from the ASX Official List* (**GN33**) which sets out ASX's policy in relation to requests for removal from the official list of ASX. GN33 states ASX will use its discretion to ensure that a removal is being sought for acceptable reasons. Unacceptable reasons include where the removal is being sought to deny minority securityholders a market for their securities in order to coerce them into accepting an offer to buy out their securities.

ASX has indicated that the conditions it would usually apply to a request for removal from the official list following a 'successful' takeover bid are:

(a) the bidder and its related bodies corporate must own or control at least 75% of the entity's securities but have not met the conditions for compulsory acquisition under the Corporations Act;

(b) excluding the bidder and its related bodies corporate, the number of security holders having holdings with a value of at least $500 (being a marketable parcel) is fewer than 150;

(c) the bidder foreshadowed in its bidder's statement that it intended, if it secured control, to cause the target to apply for removal;

(d) the takeover bid remained open for at least two weeks following the bidder and its related bodies corporate having attained ownership or control of at least 75% of the securities; and

(e) the target has applied for removal no later than one month after the close of the bid.

If these conditions are not met, and the entity has been the subject of a takeover bid in the preceding 12 months, ASX will require security holder approval of a proposed removal – with such approval to be by way of ordinary resolution on which the bidder and its associates are excluded from voting. Where more than 12 months have elapsed since the close of the takeover bid, ASX has indicated in its Guidance Note that it will generally permit the bidder and its associates to vote on a resolution approving its removal from the official list.

4.14 Impact on Australand's financing arrangements and material contracts

If the Bidder and its Associates acquire more than 50% of all Australand Securities and the Offer becomes unconditional, some of Australand's existing material contracts may be impacted. Certain of those impacts may result in a requirement for Australand to make financial payments. To assist in that regard, Frasers and Australand are in the process of arranging a $900 million standby financing facility through Australia and New Zealand Banking Group Limited (**ANZ**) and National Australia Bank Limited (**NAB**) (**Australand Funding Arrangement**). This facility is intended to be available to Australand to repay the USPP, redeem the ASSETS and to make the scheduled repayment of $304 million in January 2015 under one of Australand's syndicated finance facilities. At this time no binding facility agreement is in place for the Australand Funding Arrangement. ANZ and NAB have, however, issued to Frasers and AHL a credit approved term sheet and the parties are currently negotiating documentation.

Set out below is an overview of the relevant material impacts of the Offer on Australand's financing arrangements and material contracts. The information has been included in this Target's Statement because it may impact the future prospects of Australand, which would be relevant to any Australand Securityholders who might remain Australand Securityholders.

(a) Syndicated loan facilities

Australand has two syndicated loan facilities totalling A$1,300 million. If a change of control of Australand occurs it will be a review event under both facilities. If the Offer becomes unconditional and the Bidder and its Associates become the holders of more than 50% of all Australand Securities, that will constitute a change of control for this purpose. If a review event occurs, Australand and its financiers must meet to discuss whether a restructure of the facilities is required. If the parties do not meet or the parties are unable to agree to vary the terms of the relevant agreements it is possible that Australand will be required to repay one or both of the facilities in full.

In addition, if Australand is removed from the official list of ASX it will be an event of default under both facilities. If any event of default occurs it is possible that Australand will be required to repay one or both facilities in full.

Consents have been received from the financiers under the two syndicated loan facilities waiving their rights in respect of the review event and event of default that may occur as a consequence of the Offer.

(b) US Private Placement (USPP) notes

The Australand Property Group issued US$170 million of USPP notes in 2011, which mature in two tranches in 2021 and 2023.

The USPP documentation contains a change of control provision which, if triggered as a consequence of the Offer, would require the Australand Property Group to make an offer to the USPP note holders to repay the notes at par value with accrued interest. If the Offer becomes unconditional and the Bidder and its Associates together have a relevant interest in more than 50% of all Australand Securities, that will constitute a change of control for these purposes.

Under the Bid Implementation Agreement, Australand has agreed to give a repayment notice within one business day of a change of control under the Offer, offering to prepay the notes on the date that is 20 business days after the date of the repayment notice. Under the terms of the USPP, noteholders must notify Australand of their decision to accept this offer within 10 business days after the issue of the repayment notice. No Make-Whole Amount or other premium amount is payable on repayment of the notes in this case. Australand currently has undrawn debt facilities and cash available to repay the notes with accrued interest. The Australand Funding Arrangement, if put in place, would also be available for this purpose.

In addition, a delisting or extended suspension of trading of Australand Securities would constitute an event of default under the USPP notes. If an event of default occurs, the note holders who did not elect to have their notes redeemed on the change of control can accelerate payment of the notes by declaring them immediately due and payable. Upon any such acceleration the principal amount of the notes at par value, accrued interest and a Make-Whole Amount would be payable. The Make-Whole Amount is currently estimated to be up to $38 million.

(c) ASSETS

The Australand Property Group has a class of securities on issue called ASSETS. ASSETS are perpetual instruments that can be converted by the Issuer or ASSETS holders in certain circumstances. The face value of the ASSETS on issue as at 30 June 2014 was $275 million.

ASSETS may be redeemed or exchanged by the Australand Property Group following a change of control event. The Offer will trigger a change of control event if it becomes unconditional and the Bidder and its Associates acquire a relevant interest in more than 50% of all Australand Securities (on a fully diluted basis).

ASSETS may, in any event, currently be redeemed by the Australand Property Group in the period prior to each ASSETS distribution period (a distribution period being each quarterly period ending on and including 31 March, 30 June, 30 September and 31 December in each year).

Under the Bid Implementation Agreement, Australand and Frasers acknowledge it is their current intention that the ASSETS be redeemed on a change of control, subject to financing being available. The Australand Funding Arrangement, if put in place, will be available for this purpose.

(d) Material joint venture arrangements

The Australand Property Group is party to the Australand Logistics Joint Venture (**ALJV**) with the Government of Singapore Investment Corporation. The ALJV holds industrial properties and as at 31 December 2013 had assets of $375 million. The Australand Property Group holds a 19.9% interest in the ALJV.

The Australand Property Group is also party to the Australand Residential Trust Agreement (**ART Agreement**) with Uberior Ventures Australia Pty Limited.

The ALJV arrangements and ART Agreement include change of control provisions that may be triggered as a consequence of the Offer. If the Offer becomes unconditional and the Bidder and its Associates become the holder of more than 50% of all Australand Securities, that will constitute a change of control for this purpose. If a change of control occurs without the consent of the co-venturer, the co-venturer may:

(i) in respect of the ALJV:

- buy-out (or elect that its nominee will buy-out) the Australand Property Group's interest in the joint venture for market value (less transaction costs); or
- require an orderly wind down of the joint venture; and

(ii) in respect of the ART Agreement:

- buy-out (or elect that its nominee will buy-out) the Australand Property Group's interest in the co-venture for 90% of market value (less transaction costs);
- require the Australand Property Group to sell its interest in the joint venture to a third party within six months, failing which the assets of the joint venture will be liquidated; or
- require an orderly wind down and liquidation of the joint venture.

(e) Project financing

Under certain project financing facilities a delisting or extended suspension of trading of the Australand Securities would constitute an event of default and a change of control of the Australand Property Group.

These events could occur as a consequence of the Offer. In the event that these events were to occur without the prior consent of the relevant financiers (among other things) the relevant financiers would have the ability to change the terms or conditions of the loans and the amounts owing under the facilities could be declared due and payable by the relevant financiers.

Australand has obtained consents from financiers under its material project financing facilities waiving their rights in respect of the potential review events and events of default that may occur as a consequence of the Offer.

(f) Material contracts – termination for convenience

In the ordinary course of business, Australand enters into contracts which contain termination for convenience clauses (that is, the right to terminate for any reason on providing a period of notice), some of which may be material in the context of Australand taken as a whole. In the context of the Offer, counterparties to such contacts may seek to terminate the arrangements, for instance if they do not want to contract with the Bidder going forward.

As at 14 July 2014, the Board was not aware of any Australand Property Group entity receiving written notice from a counterparty seeking to exercise a right under these provisions as a result of the Offer.

4.15 When you will receive payment if you accept the Offer

Payment for Australand Securities accepted into the Offer will not be provided until after the Offer becomes unconditional. If the Offer becomes unconditional, the Bidder has stated that, subject to no other additional documents being required (either by the Acceptance Form or otherwise) to be given to the Bidder with your acceptance to enable the Bidder to become the holder of your Securities (such as a power of attorney), you will be provided with the Offer Price by the later of:

- 15 Business Days after the date that the Offer becomes unconditional; or
- 10 Business Days after the date that you accept the Offer.

See section 7.9 of the Bidder's Statement for further details on when you will be provided with your Offer Price from the Bidder.

4.16 Australian tax consequences of the Offer

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. The taxation implications relating to the Offer for Australian resident and non-resident Australand Securityholders is included in Section 6.

You should carefully read and consider the taxation consequences of accepting the Offer. Australand Securityholders should seek their own specific tax advice that considers the taxation implications in respect of their own specific circumstances, including foreign tax implications (if any).

4.17 How to accept the Offer

Instructions on how to accept the Offer are set out on page 3 and in section 7.3 of the Bidder's Statement and the instructions on the Acceptance Form enclosed with the Bidder's Statement.

5 Information relating to Australand

5.1 Profile of Australand

(a) Overview

Australand is one of Australia's leading property groups, having been involved in property development for more than 80 years. Australand's current operations are diversified across Australia and are focused on the following areas:

- investment in income producing office and industrial properties;
- commercial and industrial property development and management; and
- residential development (including land, housing and apartments).

AHL was listed on ASX in June 1997 and became a stapled group in November 2003 with the stapling of units in APT to the ordinary shares in AHL. In October 2005, units in APT4 and APT5 were stapled to the shares in AHL and units in APT such that Australand is now a stapled group that comprises AHL, APT, APT4 and APT5.

Australand trades on ASX as one stapled security under the ticker "ALZ". As at 11 July 2014, Australand had a market capitalisation of $2.6 billion.

As at 30 June 2014, Australand employed 516 permanent staff members and had offices in Sydney, Melbourne, Brisbane, Perth and a sales office in Hong Kong.

(b) Business model

Australand has a diversified business model which provides exposure to the office, industrial and residential sectors.

Australand's current strategy seeks to ensure that 60-70% of EBIT is from recurrent sources via its investment in a portfolio of 67 office and industrial properties valued at $2.4 billion (as at 31 December 2013). The remaining 30-40% of Australand's EBIT is comprised of Australand's development activities across the commercial and industrial and residential sectors.

(c) Directors of Australand

Paul Isherwood AO (Non-Executive Chairman)

Paul Isherwood has been a Non-Executive Director since 15 December 2005, and was appointed Chairman on 19 March 2014 and the Lead Independent Director on 1 January 2011. Mr Isherwood is an experienced company director with a strong finance and accounting background. He has proven leadership experience from a career with Coopers & Lybrand that spanned 38 years, where he held the position of National Chairman and Managing Partner of Coopers & Lybrand (Australia) from 1985 to 1994 and served on the International Board and Executive Committee of the firm from 1985 to 1994. Mr Isherwood has extensive corporate governance experience across different industry sectors, and mostly with listed companies.

Bob Johnston (Managing Director)

Bob Johnston has been Managing Director since 1 August 2007 and has extensive experience in the property sector. He has been involved in all facets of the sector including funds management, property development, project management and construction. Prior to joining Australand, Mr Johnston spent 20 years with the Lend Lease Group in various roles in Australia, Asia, US and the UK.

Stephen Newton (Non-Executive Director)

Stephen Newton has been a Non-Executive Director since 18 December 2007. Mr Newton is an experienced company director in the real estate and infrastructure sectors and is currently Joint Managing Director and co-founder of Arcadia Funds Management Limited. Prior to establishing the Arcadia Group in December 2002, Mr

Newton was a senior executive with the Lend Lease Group, a member of its global senior executive management group and a director of a number of Lend Lease entities and managed funds (November 1980 to December 2002). Mr Newton has over thirty years' experience in the real estate sector both in Australia and internationally with extensive involvement in all aspects of asset management, development management, real estate investment management and mergers, acquisitions and dispositions of publicly listed and private (wholesale) real estate investment trusts and companies.

Nancy Milne OAM (Non-Executive Director)

Nancy Milne has been a Non-Executive Director since 1 October 2010. Ms Milne is an experienced company director with extensive business experience. Ms Milne was a consultant at Clayton Utz, (formerly a Senior Partner of the firm) specialising in the areas of insurance and risk. Prior to her appointment to the Australand Board, Ms Milne was a member and Chair of Australand's Risk & Compliance Committee from 2003 until April 2009.

Robert (Bob) Prosser (Non-Executive Director)

Bob Prosser has been a Non-Executive Director since 9 February 2011. Mr Prosser has a strong finance and accounting background having retired in June 2008 as a Partner of PricewaterhouseCoopers (**PwC**) where he was responsible for due diligence in relation to mergers, acquisitions, equity raisings and divestments. At the time of his retirement, Mr Prosser was chair of PwC's public reports panel, with responsibility for the quality control of all public documents and liaison with regulators.

Beth Laughton (Non-Executive Director)

Beth Laughton has been a Non-Executive Director since 7 May 2012. Ms Laughton, an experienced company director is a chartered accountant with a strong background in corporate finance, having provided merger and acquisition advice and arranging equity funding across a range of industries.

5.2 Risks associated with the Australand business

There are a number of implications of the Offer for Australand's business which are set out in detail in Sections 4.12 and 4.14. This Section outlines the risks and uncertainties relating to Australand's current business strategy, both specific to Australand and of a more general nature, which may affect the future operating and financial performance of Australand and the value of Australand Securities. The following risk factors are not exhaustive of the risks faced by Australand Securityholders.

If any of the following risks materialise, Australand's business, financial condition and operational results are likely to suffer. In this case, the value and/or the trading price (if listed) of the Australand Securities may fall and you may lose all or part of your investment value, and/or the distributable income of Australand may be lower than expected or zero, with distributions being reduced or cut to zero.

If you do not accept the Offer and continue to hold Australand Securities, your investment in Australand will be subject to these and other risks, and these risks will be impacted by any changes Frasers makes to Australand's current business strategy.

(a) General market risks

The value and/or market price (if listed) of Australand Securities and the future distributions made to Australand Securityholders will be influenced by a number of factors that are common to most listed investments. At any point in time, these may include:

- the Australian and international economic outlook;
- movements in the general level of prices on international and local stock markets;
- changes in economic conditions including inflation, recessions and interest rates; and
- changes in Government fiscal, monetary and regulatory policies.

(b) Primary business risks

Australand Securityholders will be exposed to risks associated with Australand's business activities. If Australand Securities remain listed on ASX the price of Australand Securities will also be affected by stock market participants' view of these risks. These risks include:

(i) Effective execution of its strategy

Australand's failure to deliver on or to effectively execute its stated strategy or its failure to redefine its strategy to meet changing market conditions could result in a decline in the value of Australand Securities and a loss of earnings.

(ii) Availability of funding

The real estate investment and development industry tends to be highly capital intensive. The ability of Australand to raise funds on favourable terms for future refinancing, development and acquisitions depends on a number of factors including general economic, political, capital and credit market conditions. The inability of Australand to raise funds on favourable terms for future acquisitions, developments and refinancing could adversely affect its ability to acquire or develop new properties or refinance its debt.

(iii) Refinancing requirements

Australand is exposed to risks relating to the refinancing of existing debt instruments and facilities. Australand may experience difficulty in refinancing some or all of its debt facilities maturing over the coming years. The terms on which they are refinanced may also be less favourable than at present.

(iv) Debt covenants

Australand has various covenants in relation to its debt facilities, including interest cover and gearing. Factors such as falls in asset values and the inability to achieve timely asset sales at prices acceptable to Australand could lead to a breach in debt covenants. In such an event, Australand's lenders may require their loans to be repaid immediately.

(v) Inflation rates / interest rates

Higher than expected inflation rates generally or specific to the property industry could be expected to increase operating costs and impact on demand and development costs. These cost increases may be able to be offset by increased selling prices or rents. Increases in interest rates could have the effect of reducing the availability or increasing the cost of finance for the purchase of properties by Australand's customers. Interest rates also impact on Australand's cost of funds.

(vi) Property market

Australand's earnings are subject to property market conditions. Increases in supply or falls in demand in any of the sectors of the property market in which Australand operates or invests could influence the acquisition of sites, the timing and value of Australand's sales and the carrying value of projects and income producing assets and this could affect earnings.

A sustained downturn in the commercial and industrial and / or residential property markets due to deterioration in the economic climate could result in reduced development profits. A decline in sales at Australand's residential property developments or an inability to sell the products of the commercial and industrial business could affect Australand's revenue and financial position.

Changes in market conditions for rental properties, including vacancy rates, incentive levels and rental rates may impact on the income received from Australand's income producing assets.

Market sentiment may be influenced by media commentary and observations by industry analysts. Market sentiment has a significant influence on the confidence of Australand's customers and their propensity to buy residential properties.

Perception may have a larger short term influence on project enquiry levels and rates of sale than medium term factors such as the likelihood of oversupply or undersupply in some market segments. Although project rates of sale may not have a significant influence on the profitability of individual projects in the medium/long term, a decline in market sentiment, which reduces rates of sale, could adversely influence the amount of profit that can be brought to account in a particular financial period.

(vii) **Potential illiquidity**

Property assets are by their nature illiquid investments. Therefore, it may not be possible for Australand to dispose of assets in a timely manner. To the extent that Australand invests in properties for which there may be only a limited number of potential investors, the realisable value of those assets may be less than the full value indicated by Australand's expectations of future cash flows from the relevant properties.

(viii) **Land values**

Unanticipated factors affecting the value of land or development costs, including environmental issues, native title claims, changes to government regulations relating to property, land resumptions and major infrastructure developments might impact on future earnings.

(ix) **Purchasers settlement**

A failure of a significant portion of purchasers to settle on major development projects, could affect the timing and amount of future earnings.

(x) **Land restocking**

Australand's inability to acquire major development sites in chosen geographical areas at an appropriate price could result in reduced land development profits.

(xi) **Property values**

Unanticipated factors influencing the value of investment property held by the investment property business or the realisable value of development trading stock held by the development businesses, such as those listed below, could impact on future earnings:

- the capitalisation rates that are considered appropriate by professional valuers, for the income producing properties held by Australand, in response to changes in market conditions. An increase in capitalisation rates could lead to a sustained downturn in the property market resulting in a lower reported profit and a higher debt/equity ratio for Australand;
- changes in the conditions of town planning consents applicable to Australand projects, as a consequence of the unpredictable nature of council policies;
- variances in the cost of development as a consequence of the imposition of levies by state and local government agencies;
- the presence of previously unidentified threatened flora and fauna species, which may influence the amount of developable land on major projects;
- the activities of resident action groups;
- native title claims;
- land resumptions for roads and major infrastructure, which cannot be adequately offset by the amount of compensation eventually paid; and
- changes to the value of property developments currently in progress due to market conditions.

(xii) **Joint ventures**

Australand's failure to effectively structure and administer its joint ventures to meet its strategic initiatives and business objectives could result in major adverse financial outcomes, an inability to acquire major development sites and investment properties as well as increased exposure to legal, regulatory and tax risk.

(xiii) **Health and Safety**

Poor work practices resulting in fatality and / or serious injury or a failure to comply with the necessary health, safety and environmental regulatory requirements could result in reputational damage, fines, penalties and compensation for damages as well as poor staff morale and industrial action.

(xiv) **Development risk**

Part of Australand's business is to identify, analyse and invest in property development projects. Property development projects have a number of inherent risks in addition to those associated with acquisitions generally, including:

- a risk that appropriate planning consents are not obtained or, if obtained, are not properly adhered to;
- a risk that development costs escalate beyond those originally anticipated;
- a risk of project delays due to factors beyond the control of Australand;
- a risk that any property development manager and/or subcontractor appointed to implement a property development project does not perform their role to a satisfactory standard or acts or fails to act in breach of contract;
- a risk that competing property development projects adversely affect the overall return achieved by any property development projects undertaken by Australand, because they provide competitive alternatives for potential purchasers and potential lessees;
- a risk that market conditions change during any development;
- a risk that planned consents are not obtained or not as originally planned; and
- a risk that suitable development opportunities cannot be sourced.

Although some of these risks can be mitigated, it is not possible to entirely remove the risks inherent in property development projects.

(xv) **Energy sustainability and climatic conditions**

Australand's failure to adequately respond to the impact of sustainable energy considerations and climate change and any associated legislative requirements and community expectations could result in litigation (if reporting requirements are not met), reduced profit due to the impact of increased costs associated with implementing increased energy efficiency and other costs associated with upgrading existing buildings to comply with new building codes. Australand would also be adversely impacted by a loss of market share if building designs do not address community expectations or match competitor products on sustainability issues. Prolonged adverse weather conditions may result in delays in construction and marketing and possibly deferral of revenue and profit recognition.

(xvi) **Taxation**

Changes in income tax, GST or stamp duty legislation or other state or federal tax legislation or policy, particularly in regard to residential housing, property development activity and investment in income producing property may adversely affect Australand's profit. Any removal of the concessions for individuals in respect of capital gains tax or relating to negative gearing of income producing properties could have an adverse effect on Australand's sales or the value of its investments.

Australand constantly monitors these changes to taxation law and the impact of the changes is assessed by Australand's taxation department as well as external experts where required. Due to the nature of Australand's development operations, which can involve complex financing structures and joint venture arrangements, the ATO periodically reviews and queries the taxation treatment of various transactions, which could result in additional tax being levied.

(xvii) **Human resources**

The loss of senior key staff, management personnel who have particular expertise in property development, construction and the marketing of investment properties, and the unavailability of skilled labour may influence future earnings.

(xviii) **Accounting standards**

Changes to Australian Accounting Standards could affect Australand's reported earnings performance in any given period and its financial position from time to time.

(xix) **Tenant and purchaser solvency**

Insolvency or financial distress of tenants of Australand's income producing properties may reduce the income received by Australand from such assets.

Purchasers may default on the settlement of purchase agreements and the resale of those properties may be at a lesser amount.

(xx) **Unemployment rate**

Sales in residential projects may be negatively impacted by a sustained increase in the unemployment rate in Australia, particularly in key markets where Australand has residential projects. This impact could be through a reduction in the number of lots sold, in the value of lots sold and profit achieved.

(xxi) **General economic conditions**

Australand's operating and financial performance is influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, commodity prices, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulatory policies. Prolonged deterioration in these conditions, including an increase in interest rates, an increase in the cost of capital or a decrease in consumer demand, could have a materially adverse impact on Australand's operating and financial performance.

(xxii) **Rental guarantees**

Australand has given rental guarantees in connection with a number of properties developed and sold by it to third parties. Australand may be negatively affected if these properties are not leased up as planned.

(xxiii) **Competition**

Australand may be negatively affected by oversupply or overdevelopment, or by prices for existing properties or services being inflated via competing bids by prospective purchasers.

(xxiv) **Fixed nature of significant costs**

Significant expenditures associated with each investment, such as interest payments, maintenance costs, employee costs and taxes are generally not reduced when circumstances cause a reduction in income from investment. The value of an asset owned by Australand may be adversely affected if the income from the asset declines and other related expenses remain unchanged.

(xxv) **Regulatory risk**

Australand operates in a highly regulated environment and is subject to a range of industry specific and general legal and other regulatory controls (including Australian financial services licensing requirements). Regulatory breaches may affect Australand's operational and financial performance, through penalties, liabilities, restrictions on activities and compliance and other costs. In addition, changes in government and local government regulations and policies (including government land development, public housing and first home-buyer assistance and tenancy laws) and delays in the granting of approvals or the registration of subdivision plans may affect the amount and timing of Australand's future profits.

(xxvi) **Litigation and disputes**

Legal and other disputes (including industrial disputes) may arise from time to time in the ordinary course of operations. Any such dispute may impact earnings or affect the value of Australand's assets.

(xxvii) **Environmental**

The discovery of, or incorrect assessment of costs associated with, environmental contamination on any of Australand's projects could have an adverse effect on the profitability and timing of receipt of revenue from that project. It is Australand's policy to undertake detailed environmental due diligence on any property before acquisition.

(xxviii) **Insurance**

Property trusts, developers and constructors generally enter into contracts of insurance that provide a degree of protection over assets, liabilities and people.

While such policies typically cover against material damage to assets, contract works, business interruption, general and professional liability and workers compensation, there are certain risks that cannot be mitigated by insurance, either wholly or in part, such as nuclear, chemical or biological incidents or risks where the insurance coverage is reduced or unavailable, such as cyclones or earthquakes.

Property trusts, developers and constructors also face the risk that insurers may not be able to meet indemnity obligations if and when they fall due, which could have an adverse effect on earnings.

Further, insurance may be materially detrimentally affected by global market conditions such that insurance becomes more expensive or in some cases, becomes unavailable.

6 Taxation information

6.1 Overview

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

The taxation information contained in this Section is of a general nature only. It outlines the Australian taxation implications for Australand Securityholders in respect of the Offer. It does not constitute tax advice and should not be relied upon as such.

The taxation information below only deals with the tax implications for resident and non-resident Australand Securityholders who are individuals, complying superannuation entities and companies that hold their investments on capital account. It does not address the tax treatment for Australand Securityholders who hold their investments on revenue account such as banks and other trading entities or non-resident Australand Securityholders who hold their investments through a permanent establishment in Australia.

It does not address the position of Australand employees who hold Australand Performance Rights under Australand's employee securities plans.

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

The information contained in this Section is based on the provisions of the Income Tax Assessment Acts, the GST Act and related acts, regulations and ATO rulings and determinations applicable as at the date of this Target's Statement.

6.2 Resident Australand Securityholders

(a) CGT consequences

Each Australand Security consists of a share in AHL, a unit in APT, a unit in APT4 and a unit in APT5.

Notwithstanding the fact that these assets cannot be traded separately, they are treated as separate assets for CGT purposes.

The disposal of Australand Securities pursuant to the Offer will have CGT consequences for Australand Securityholders. Each Australand Securityholder will be treated as making four separate disposals for CGT purposes and four separate CGT calculations will be required. In undertaking these calculations, Australand Securityholders will be required to calculate the cost base (or reduced cost base) and capital proceeds attributable to their share in AHL and units in each of APT, APT4 and APT5 (as explained below).

Broadly, Australand Securityholders will, in respect of their share in AHL and units in APT, APT4 and APT5, make:

- a capital gain if the capital proceeds received for their share in AHL or unit in each of APT, APT4 and APT5 is greater than the cost base of their share in AHL or unit in each of APT, APT4 and APT5 respectively; and
- a capital loss if the reduced cost base of their share in AHL or unit in each of APT, APT4 and APT5 is greater than the capital proceeds received for their share in AHL or unit in each of APT, APT4 and APT5 respectively.

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

(i) **Cost base and reduced cost base**

Broadly, the cost base and reduced cost base of an Australand Security will equal:

- the amount paid by the Australand Securityholder to acquire their Australand Securities, together with any incidental costs of acquisition and disposal; less
- any tax deferred distributions or returns of capital made by APT, APT4, APT5 or AHL whilst the Australand Securityholder held their Australand Securities.

Australand Securityholders will be required to apportion the cost base or reduced cost base of their Australand Securities between their share in AHL, and units in each of APT, APT4 and APT5. The Commissioner of Taxation will generally accept an apportionment that has been done on a reasonable basis. However, Australand Securityholders will need to make their own decision regarding the reasonable basis they will apply in their own circumstances. Further information that may be helpful to Australand Securityholders in making their own apportionment decision can be found on the Investor Centre page of the Australand website (www.australand.com.au).

(ii) **Capital proceeds**

The capital proceeds received by Australand Securityholders for their Australand Securities should be the consideration of $4.48 cash received per Australand Security. Australand Securityholders will be required to apportion the capital proceeds received between their share in AHL, and units in each of APT, APT4 and APT5. As noted above, the Commissioner of Taxation will generally accept an apportionment that has been done on a reasonable basis.

(b) Status of defeating Conditions

The Offer is subject to a number of Conditions set out in section 7.7 of the Bidder's Statement. The Bidder will provide updates on any material developments relating to the status of these Conditions during the Offer Period. If the Conditions in section 7.7 of the Bidder's Statement are not fulfilled or waived and the Offer does not proceed, then no contract will be capable of arising from the acceptance of the Offer and a CGT event should not arise for Australand Securityholders.

(c) Rollover

The Offer will not satisfy the conditions for a CGT roll-over. As such, no part of a capital gain arising for Australand Securityholders from the disposal of Australand Securities will be able to be deferred.

(d) First Half Distribution and Allowed Distribution

Australand Securityholders will be required to treat the tax components of the First Half Distribution and the Allowed Distribution in the same manner that the tax components of Australand's regular six monthly income distributions are treated.

The tax profile of the First Half Distribution will be advised to Australand Securityholders subsequent to payment in August 2014. The tax profile of the Allowed Distribution will be advised to Australand Securityholders subsequent to 30 June 2015, being the end of the tax year to which the payment relates.

The Bid Implementation Agreement provides that APL and AIL will provide certain undertakings in respect of the 2015 income tax year that should result in Australand Securityholders who accept the Offer and receive the Allowed Distribution only being required to include an amount in their assessable income no greater than the cash amount of the Allowed Distribution received by them.

(e) Future distributions

If the Offer becomes unconditional but the Bidder does not achieve a relevant interest in Australand Securities sufficient to proceed to compulsory acquisition, resident Australand Securityholders who continue to hold Australand Securities should have future distributions taxed in a similar manner to the First Half Distribution.

6.3 Non-resident Australand Securityholders

(a) CGT consequences

The taxation consequences discussed in Section 6.2(a) above will apply to Australand Securityholders that are non-residents, where the Australand Securities are "taxable Australian property".

An Australand Security will be "taxable Australian property" if:

(i) more than 50% of the market value of the assets of each of AHL, APT, APT4 and APT5 consists of taxable Australian real property (direct and indirect interests in Australian real property including leases of Australian land); and

(ii) the interests pass 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.

Each of AHL, APT, APT4 and APT5 have more than 50% of the market value of their assets represented by taxable Australian real property and therefore this condition should be satisfied.

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.

An Australand Security will also be "taxable Australian property" if:

- the Australand Securities were used by the Australand Securityholder in carrying on a business through a permanent establishment in Australia; or
- the Australand Securityholder, being an individual, made an election to treat the Australand Securities as taxable Australian property at the time they ceased to be an Australian resident (if the Australand Securityholder was ever an Australian resident).

To the extent that an Australand Security is "taxable Australian property" and a non-resident Australand Securityholder makes a capital gain as a result of the disposal of their Australand Securities, the Australand Securityholder will not be entitled to a CGT discount for capital gains accrued after 8 May 2012. However, a non-resident Australand Securityholder may be entitled to the CGT discount on capital gains accrued prior to 8 May 2012 (after offsetting any capital losses), provided they choose to value the Australand Securities as at that time.

To the extent that an Australand Security is not "taxable Australian property", the capital gain or loss that is made by a non-resident Australand Securityholder on the disposal of the Australand Security should be disregarded.

The comments in Sections 6.2(b) and 6.2(c) above in relation to the Status of defeating Conditions and Rollover are also applicable to non-resident Securityholders.

(b) MIT status

Income tax year ended 30 June 2014

APT, APT4 and APT5 should satisfy the requirements to be MITs for the income tax year ended 30 June 2014. Consequently, distributions to non-resident Australand Securityholders from APT, APT4 and APT5 in relation to the income tax year ended 30 June 2014 should be subject to a MIT withholding tax, other than distributions of dividends, interest, royalties, or capital gains on assets that are not "taxable Australian property". MIT withholding tax is deducted from the amount of the "fund payment". The fund payment is calculated, broadly, as net rental income less tax depreciation. The rate of MIT withholding tax will depend on the country in which the relevant

Australand Securityholder is a resident. For Australand Securityholders that are residents of information exchange countries, the rate will be 15%. For residents of other countries, the rate of MIT withholding tax will be 30%. Information exchange countries are listed in Regulation 44E of the *Taxation Administration Regulations 1976* (Cth).

Income tax year ending 30 June 2015 and future years

As a consequence of the ownership structure of the Bidder, if the Bidder closes the Offer with acceptances of more than 50% of the Australand Securities, APT, APT4 and APT5 will not satisfy the requirements to be MITs in respect of the income tax year ending 30 June 2015 and future years.

Consequently, distributions made by APT, APT4 and APT5 in relation to the income tax year ending 30 June 2015 will be subject to non-resident withholding tax and not MIT withholding tax. Broadly, this means that the distributions represented by Australian sourced income (such as rental income and gains) other than dividends, interest or royalties should be subject to Australian tax on a withholding basis at the tax rate applicable to the non-resident Australand Securityholder (for example, individual, company or other type of entity). In determining the amount that is to be withheld from distributions to non-resident trustee and corporate Australand Securityholders, any capital gains to which the CGT discount has been applied are grossed up, and withholding is levied on the grossed-up amount.

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

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

(c) First Half Distribution

The First Half Distribution relates to income derived by APT, APT4 and APT5 during the income tax year ended 30 June 2014 and consequently MIT withholding tax will be payable and not non-resident withholding tax (refer Section 6.3(b)).

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

(d) Allowed Distribution

To the extent some or all of the Allowed Distribution is made by APT, APT4 or APT5 it will relate to income derived during the income tax year ended 30 June 2015 and consequently non-resident withholding tax will be payable and not MIT withholding tax (refer Section 6.3(b)).

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

The comments in Section 6.2(d) above in relation to the undertakings under the Bid Implementation Agreement are also applicable to non-resident Australand Securityholders.

(e) Future distributions

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

6.4 GST

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

7 Additional information

7.1 Information relating to your Australand Directors

(a) Interests of Australand Directors in Australand Securities and ASSETS

The number of Australand Securities and ASSETS in which each Director has a relevant interest is set out in the table below.

Director	Number of Australand Securities	Number of ASSETS
Paul Isherwood	120,000	4,200
Bob Johnston	944,563	Nil
Beth Laughton	5,000	Nil
Nancy Milne	12,014	Nil

In addition, as at the date of this Target's Statement, Bob Johnston holds 1,161,640 Australand Performance Rights issued under the Australand Performance Rights Plan.

(b) Dealings by Directors in Australand Securities

There have been no acquisitions or disposals of Australand Securities by any Director in the four months ending on the day preceding the date of this Target's Statement.

Bob Johnston was allocated 286,000 Australand Performance Rights as approved at the Annual General Meeting on 16 April 2014.

(c) Interests and dealings of Directors in securities in the Bidder

No Director has a relevant interest in any securities in the Bidder or a related body corporate of the Bidder.

(d) Benefits to Directors

The Non-Executive Directors will be paid additional fees by Australand of $140,000 in aggregate, in relation to the work they have undertaken as directors of Australand in relation to the takeover proposals from Stockland and Frasers.

Mr Johnston participates in Australand's short term incentive (**STI**) arrangements and Australand Performance Rights Plan, which are described in more detail in Section 7.6. Under those arrangements, upon the Bidder and its Associates having a relevant interest in more than 50% of all Australand Securities (on a fully diluted basis) and the Offer becoming unconditional, Mr Johnston will be entitled to the following benefits:

- the vesting of all his 123,640 Australand Performance Rights held under the deferred STI arrangements.
- the vesting of a proportion of his Australand Performance Rights held under the Australand Performance Rights Plan, where that proportion is determined pro-rata, based on the period from the issue of the Australand Performance Right to the date the Offer becomes unconditional to the total 3 year vesting period of the Australand Performance Rights. Mr Johnston currently holds 408,000 2012 Australand Performance Rights, 344,000 2013 Australand Performance Rights and 286,000 2014 Australand Performance Rights. For example, if the Offer becomes unconditional on 31 July 2014, 86.04% of the 2012 Australand Performance Rights would vest, 52.69% of the 2013 Performance Rights would vest and 19.34% of the 2014 Australand Performance Rights would vest. The other unvested Australand Performance Rights would lapse.

(e) Conditional agreements

No agreement has been made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer, other than in their capacity as a holder of Australand Securities.

(f) Interests in contracts with the Bidder

No Director has any interest in any contract to which the Bidder is a party.

Stephen Newton is a Director of Athllon Trustee Pty Ltd (**Athllon**) which acts as trustee of the Athllon Drive Landholding Trust which owns the Caroline Chisholm Centre in Canberra. Athllon is 100% indirectly owned by Frasers Commercial Office Trust (**FCOT**) in which Frasers has an approximate 27.6% indirect interest. FCOT's Trust Deed provides for the appointment of Frasers Centrepoint Asset Management (Commercial) Ltd (**FCAMC**), a wholly owned subsidiary of Frasers, as Manager of FCOT.

7.2 Bid Implementation Agreement

On 1 July 2014, Australand entered into the Bid Implementation Agreement with Frasers. A copy of the Bid Implementation Agreement was released to ASX on 1 July 2014 and an ASX announcement was made on the same day. A copy of the Bid Implementation Agreement can be found on the ASX website (www.asx.com.au ASX code: ALZ).

A summary of certain key terms of the Bid Implementation Agreement is set out below. This is a summary only and should be read subject to the full terms of the Bid Implementation Agreement.

(a) Fiduciary duty carve-out

The Bid Implementation Agreement does not require the Australand Board to take any action with respect to the satisfaction of the Conditions within Australand's control (summarised in Section 4.3(b)) which in the reasonable opinion of the Australand Board would result in a breach of a fiduciary duty by the Australand Board.

(b) Exclusivity

The Bid Implementation Agreement contains certain exclusivity arrangements.

(i) **No shop**: During the Exclusivity Period, Australand must not, and must ensure that each of its representatives does not, solicit, invite, encourage or initiate any enquiries, negotiations or discussions with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction.

(ii) **No due diligence**: During the Exclusivity Period, Australand must ensure that neither it, nor any of its representatives, solicits or enables any person to undertake due diligence investigations on Australand for the purposes of obtaining, or which may reasonably be expected to lead to, a Competing Transaction.

(iii) **Notification**: During the Exclusivity Period, Australand must promptly inform Frasers if Australand or any Director receives any approach with respect to any actual or potential Competing Transaction.

(iv) **Matching right**: If Australand or any of its representatives is in receipt of a Superior Proposal during the Exclusivity Period, the Bidder may match, or procure a Controlled Entity of the Bidder to match, that Superior Proposal.

Subject to certain requirements, the exclusivity arrangements summarised in Sections 7.2(b)(ii) and 7.2(b)(iii) do not apply to the extent that they restrict Australand or the Australand Board from taking or refusing to take any action with respect to a bona fide Competing Transaction (which was not solicited, invited, encouraged or initiated by Australand in breach of the exclusivity arrangement summarised in Section 7.2(b)(i)).

(c) Break fee

The break fee provisions of the Bid Implementation Agreement are contained in clause 10. The following is a summary of the key aspects of the break fee arrangements.

Australand has agreed to pay Frasers a break fee, or cost reimbursement fee, of 1.0% of the value of the Offer in the following circumstances:

(a) a majority of the Directors of the Australand Board recommend a Competing Transaction;

(b) a Competing Transaction substantially completes on or before 31 March 2015; or

(c) the Bid Implementation Agreement is terminated because Australand is in material breach of its terms.

7.3 Issued securities

The total number of Australand Securities on 14 July 2014 was 578,984,528.

The aggregate number of Australand Performance Rights on 14 July 2014 was 4,931,490.

The number of Australand Performance Rights which would vest on a change of control of Australand arising from the Offer depends on the date on which the change of control occurs. For example, if the change of control occurred on 31 July 2014, a total of 3,096,111 Australand Performance Rights would vest. See Section 7.6 for further details. In this case, Australand would issue a further, 2,786,323 new Australand Securities. The balance of 309,788 Australand Securities required to be provided to employees on the vesting of Australand Performance Rights would be transferred from the current holding of Australand Securities in the Australand Performance Rights Plan Trust.

7.4 ASSETS

Subject to the Offer becoming unconditional, and the Bidder and its Associates together having a relevant interest in more than 50% of all Australand Securities (on a fully diluted basis), Australand and Frasers currently intend that the Issuer will exercise its right of redemption in respect of all of the ASSETS as soon as practicable.

As described in Section 4.14, Australand and Frasers have agreed to co-operate and use reasonable endeavours to procure that the Issuer obtains necessary financing for the purposes of the redemption of ASSETS by the Issuer.

7.5 Latest financial results and financial position

Australand lodged its latest audited annual financial statements for the full year ended 31 December 2013 with the ASX on 17 March 2014.

Australand expects to release to ASX on 21 July 2014 its ASX Appendix 4D which sets out its half year financial information for the period to 30 June 2014. Australand will include a copy of this ASX Appendix 4D in the package sent to Australand Securityholders enclosing this Target's Statement.

Australand notes that the Independent Expert has set out Australand's current earnings guidance and Australand management's estimated 30 June 2014 statement of financial position in section 7 of its Independent Expert's Report. This financial information has not been audited or reviewed by Australand's auditors.

7.6 Impact of the Offer on employee arrangements

This Section summarises the current employee arrangements and the impact of the Offer on those arrangements.

(a) Employee incentive plans

Australand currently operates the following employee incentive plans:

- the Australand short term incentive (**STI**) arrangement (under which executives' performance is assessed against pre-determined key performance indicators (**KPIs**) over the financial year); and

- the Australand Performance Rights Plan (**PRP**) (under which executives receive long term incentive payments in the form of Australand Performance Rights).

STI Arrangements

Australand operates STI remuneration arrangements, pursuant to which certain employees are granted STI payments upon the satisfaction of pre-determined KPIs. Under the STI arrangements as they apply to certain senior managers the STI payment is split into an immediate payment and a deferred payment, with the deferred portion awarded in the form of Australand Performance Rights.

Australand senior managers have had a portion of their 2013 and 2014 STI awards deferred into Australand Securities through the issue of Australand Performance Rights, the vesting of which was deferred for a period of 12 to 24 months with no performance hurdles other than continuing employment with the Australand Property Group. The number of Australand Performance Rights under the deferred STI arrangement totals 190,590 all of which will vest upon the Bidder and its Associates acquiring a relevant interest in more than 50% of all Australand Securities (on a fully diluted basis) and the Offer being unconditional (**Change of Control**).

Performance Rights Plan (PRP)

In order to provide long term incentives to managers and senior executives, Australand put in place the PRP approved by Australand Securityholders on 19 April 2007.

A number of employees have been awarded Australand Performance Rights in 2013 and 2014, the vesting of which was deferred for a period of 12 or 24 months with no performance hurdles other than continuing employment with the Australand Property Group. There are 508,900 Australand Performance Rights on issue under the arrangement, all of which will vest on a Change of Control.

Separately, a number of employees have been awarded Australand Performance Rights which, in the ordinary course, vest into Australand Securities 3 years after issue, subject to the Australand Property Group's performance against specified performance hurdles. The total number of unvested Australand Performance Rights currently on issue under the PRP is as follows:

- 2012 plan – 1,664,600;
- 2013 plan – 1,402,600; and
- 2014 plan – 1,164,800.

The Australand Board has determined that upon a Change of Control the performance hurdles will be waived and the Performance Rights will vest pro-rated for the amount of time that has elapsed since the relevant annual plan commenced.

For example, for a Change of Control on 31 July 2014:

- 86.04% of the 2012 plan would vest;
- 52.69% of the 2013 plan would vest; and
- 19.34% of the 2014 plan would vest.

In this example, a total of 3,096,111 Australand Performance Rights would vest on 31 July 2014.

On vesting, each Australand Performance Right entitles the holder to one Australand Security.

Australand Performance Rights that do not vest under the above arrangements will lapse.

(b) Retention payments

Cash retention payments will be made to 9 key executives totalling approximately $2 million, in the event of a Change of Control.

7.7 Bidder's securities held by Australand

Australand has no relevant interest in any securities in the Bidder or a related body corporate of the Bidder.

7.8 Consents

(a) Consents to inclusion of a statement

Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to the inclusion of the statements in this Target's Statement that are specified below in the form and context in which the statements are included and to all references in this Target's Statement to those statements in the form and context in which they are included:

- KPMG – to be named as Independent Expert, and to inclusion of the Independent Expert's Report and statements said to be based on statements made in the Independent Expert's Report
- Each Director specified in Section 5.1(c) – to be named in this Target's Statement and to the inclusion of statements made by them.

(b) Consents to be named

King & Wood Mallesons has given and has not, before the date of this Target's Statement, withdrawn its consent to the inclusion of its name in this Target's Statement as legal adviser to Australand.

Macquarie and Fort Street each have given and have not, before the date of this Target's Statement, withdrawn their consent to the inclusion of their names in this Target's Statement as financial advisers to Australand.

Link Market Services has given and has not before the date of this Target's Statement, withdrawn its consent to the inclusion of its name in this Target's Statement as Share Registry to Australand.

(c) Disclaimer regarding statements made and responsibility

Each person named above as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

7.9 Miscellaneous and publicly available information

Australand Securityholders should have regard to material announcements that have been lodged with ASX since Australand's last published audited financial statements for the year ended 31 December 2013, which were lodged with ASX on 17 March 2014.

A list of announcements released on Australand's ASX announcement platform in the period 17 March 2014 to 14 July 2014, is set out in Annexure B.

This Target's Statement also contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX by the Bidder or Australand.

Any Australand Securityholder who would like to receive a copy of those documents may obtain a copy free of charge during the Offer Period by calling Australand's Securityholder Information Line on 1800 882 147 (toll free) or +61 1800 882 147 (callers outside Australia), which is available Monday to Friday between 9.00am and 5.00pm (EST). Copies of announcements made by Australand may also be found on the ASX website (www.asx.com.au ASX code: ALZ).

7.10 Date of Target's Statement

This Target's Statement is dated 14 July 2014, which is the date on which it was lodged with ASIC.

7.11 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors on 14 July 2014.

Paul Isherwood AO
Chairman
Australand

8 Glossary

8.1 Definitions

Defined term	Meaning
Allowed Distribution	A distribution per Australand Security of no more than 12.75 cents for the half year ending 31 December 2014 pro rata for the number of days from 1 July 2014 until the earlier of: (a) the Offer becoming unconditional; and (b) 31 December 2014, (both dates inclusive), to be calculated in cents to two decimal places.
Announcement Date	1 July 2014.
AHL	Australand Holdings Limited (ABN 12 008 443 696).
AIL	Australand Investments Limited (ABN 12 086 673 092 AFS Licence No. 228837), responsible entity of APT4 and APT5.
ALJV	Australand Logistics Joint Venture.
Allowed Distribution Record Date	The date that is 5 Business Days after the date the Allowed Distribution is announced to ASX.
APL	Australand Property Limited (ABN 90 105 462 137 AFS Licence No. 231130), the responsible entity of APT and ASSETS Trust.
APT	Australian Property Trust (ARSN 106 680 424).
APT4	Australand Property Trust No 4 (ARSN 108 254 413).
APT5	Australand Property Trust No.5 (ARSN 108 254 771).
ART Agreement	Australand Residential Trust Agreement.
ASIC	Australian Securities and Investments Commission.
ASSETS	The preference units in the ASSETS Trust.
ASSETS Trust	Australand ASSETS Trust (ARSN 115 338 513).
Associate	Has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to the Bidder's Statement..
ASX	ASX Limited (ABN 98 008 624 691) or Australian Securities Exchange, as the context requires.
ASX Listing Rules	The official listing rules of ASX.
Athllon	Athllon Trustee Pty Ltd (ABN 20 106 556 101).
ATO	Australian Taxation Office.

Australand	AHL, APT, APT4 and APT5.
Australand Board	Board of directors of AHL, APL and AIL.
Australand Performance Right	A performance right granted by Australand to employees under the Australand Performance Rights Plan.
Australand Performance Rights Plan	Performance Rights Plan of Australand, approved by Australand Securityholders on 19 April 2007, as amended from time to time.
Australand Performance Rights Plan Memorandum	The "Performance rights plan (PRP)", "Performance rights plan 2 (PRP2)" and "Deferred short term incentive (STI) payments" sections of the document entitled "Summary of retention arrangements".
Australand Performance Rights Plan Trust	The Australand Performance Rights Plan Trust established by the trust deed dated on or about 18 June 2012 between AHL and Pacific Custodians Pty Limited (ABN 66 009 682 866) (in its capacity as trustee of the Australand Performance Rights Plan Trust) or such other trustee from time to time of the Australand Performance Rights Plan Trust.
Australand Property Group	A stapled group that comprises AHL, APT, APT4 and APT5 and each of their controlled entities.
Australand Security or Security	One ASX-listed stapled security consisting of one share in AHL and one unit in each of APT, APT4 and APT5.
Australand Securityholder	A holder of one or more Australand Securities.
Bid Implementation Agreement	The bid implementation agreement executed by Australand and Frasers on 1 July 2014.
Bidder	Frasers Amethyst Pte. Ltd. (Company Registration Number: 201418702K) a wholly owned subsidiary of Frasers.
Bidder's Statement	The Bidder's Statement in relation to the Offer, prepared by Frasers and the Bidder and dated 1 July 2014.
Business Day	Has the meaning given in the ASX Listing Rules.
CapitaLand	CapitaLand Limited (Incorporated in the Republic of Singapore) Company Registration No. 198900036N.
CGT	Capital gains tax.
Change of Control	The Bidder and its Associates together having a relevant interest in more than 50% of all Australand Securities (on a fully diluted basis) and the Offer being unconditional.
Closing Date	7:00pm (EST) on the later of 7 August 2014 or any date to which the period of the Offer is extended in accordance with the Corporations Act.
Competing Transaction	A proposed transaction or arrangement which, (i) if entered into or completed substantially in accordance with its terms, would mean or (ii) as completed results in, a person (other than Australand or its Controlled Entities) whether alone or with another person: (a) directly or indirectly, acquiring, having a right to acquire or otherwise acquiring, an interest or relevant interest in or becoming the holder of: (i) more than 50% of the Australand Securities; or

	(ii) all or a substantial part or a material part of the assets or business of the members of Australand, including by way of a takeover bid, informal trust scheme, capital or income distribution, sale of assets, sale of units or joint venture, but not as a custodian, nominee or bare trustee; (b) acquiring Control of a member of Australand or a Controlled Entity of a member of Australand; or (c) otherwise acquiring or merging with (including by a reverse takeover bid or dual listed entity structure), or being stapled to, a member of Australand.
Condition	A condition of the Offer set out in section 7.7 of the Bidder's Statement and described in summary form in Section 4.3 of this Target's Statement.
Control	As in the Corporations Act but ignoring section 50AA(4).
Controlled Entity	In relation to an Entity, another Entity which is a Subsidiary of it, or which is Controlled by it.
Corporations Act	*Corporations Act 2001* (Cth).
Directors	Current directors of Australand.
EBIT	Earnings before interest and tax.
Entity	Includes a natural person, a body corporate, a partnership, a trust and the trustee of a trust.
EST	Australian Eastern Standard Time.
Estimated NTA	Estimated NTA of Australand of $3.68 per Australand Security at 30 June 2014 as announced on 30 May 2014. The estimate was based on the draft independent valuations for the investment property portfolio obtained by Australand at that time which are subject to final Directors' review and was based on forecast retained earnings to 30 June 2014 and actual mark-to-market of derivatives to 30 April 2014.
Exclusivity Period	The period commencing on the date of the Bid Implementation Agreement and ending at the end of the Offer Period.
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth).
FCAMC	Frasers Centrepoint Asset Management (Commercial) Ltd.
FCOT	Frasers Commercial Office Trust.
FIRB	Foreign Investment Review Board.
FIRB Approval	Approval from, or on behalf of, the Treasurer to the effect that there is no objection under the Commonwealth Government's foreign investment policy or under the FATA to the acquisition by the Bidder of the Australand Securities under the Offer.
First Half Distribution	A distribution per Australand Security of no more than 12.75 cents for the half year period ending 30 June 2014.
Fort Street	Fort Street Advisers Pty Ltd.
Frasers	Frasers Centrepoint Limited, incorporated in the Republic of Singapore, Company Registration No. 196300440G.

GST	Goods and Services Tax.
GST Act	*A New Tax System (Goods and Services Tax) Act 1999* (Cth).
Income Tax Assessment Acts	*Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth).
Independent Expert or KPMG	KPMG Financial Advisory Services (Australia) Pty Ltd.
Independent Expert's Report	The report prepared by the Independent Expert, a copy of which is contained in Annexure A to this Target's Statement.
Issuer	APL as the responsible entity of ASSETS Trust.
Link Market Services	Link Market Services Limited.
Macquarie	Macquarie Capital (Australia) Limited.
Make-Whole Amount	An amount equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the USPP notes.
MIT	Managed Investment Trust.
Notice of Status of Conditions	The Bidder's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act, and which is referred to in section 7.8(e) of the Bidder's Statement.
NTA	Net tangible assets.
Offer	The takeover offer by the Bidder for Australand Securities under Chapter 6 of the Corporations Act, as described in the Bidder's Statement.
Offer Period	The period during which the Offer will remain open for acceptance in accordance with section 7.2 of the Bidder's Statement.
Offer Price	The consideration offered under the Offer which, as at the date of this Target's Statement, is $4.48 cash for each Australand Security.
Offer Record Date	The date set by the Bidder under section 633(2) of the Corporations Act, being 9.00am (EST) 1 July 2014.
Prescribed Occurrence	Has the meaning ascribed to it in section 7.7(g) of the Bidder's Statement.
PRP	Australand Performance Rights Plan.
Regulatory Authority	Includes: • ASX, FIRB and ASIC; • an Australasian or Singaporean government or governmental, semi-governmental or judicial entity or authority; • an Australian or Singaporean minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation or any government; and • any Australian or Singaporean regulatory organisation established under statute.

"relevant interest"	Has the meaning given in the Corporations Act.
Securityholder Information Line	Information line which Securityholders should call if they have any queries in relation to the Offer. The telephone number is: • 1800 882 147 (Toll Free); or • +61 1800 882 147 (outside Australia), which is available Monday to Friday between 9.00am and 5.00pm (EST).
SGX	Singapore Exchange Securities Trading Limited.
Superior Proposal	(a) a Competing Transaction which following consideration of advice from their Advisers is believed by the Australand Board, in good faith and acting reasonably, to be: (i) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and (ii) more favourable to Australand Securityholders than the Offer, taking into account all terms and conditions of the Competing Transaction; or (b) any Competing Transaction involving consideration including securities traded on a stock exchange where the value of the consideration based on the volume weighted average price over five consecutive trading days exceeds the value of the consideration offered under the Offer (taking into account the effect of the Half Year Distribution and the Allowed Distribution) and the Australand Board consider that Competing Transaction to be a Superior Proposal.
Stockland	Stockland Trust Management Limited (ABN 86 001 900 741) (as the responsible entity of Stockland Trust (ARSN 092 897 348)) and Stockland Corporations Limited (ABN 43 000 181 733).
Takeovers Panel	The Australian Takeovers Panel.
Target's Statement	This Target's Statement dated 14 July 2014.
Treasurer	Treasurer of the Commonwealth of Australia.
USPP	US Private Placement.
VWAP	Volume weighted average price.

8.2 Interpretation

Unless the context otherwise requires:

(a) headings used in this Target's Statement are inserted for convenience and do not affect the interpretation of this Target's Statement;

(b) words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;

(c) a reference to a "Section" is a reference to a section of this Target's Statement unless otherwise specified;

(d) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(e) the singular includes the plural and vice versa;

(f) the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency; and

(g) Australian dollars, dollars, A$ or $ is a reference to the lawful currency of Australia.

Independent Expert's Report

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The Directors
Australand Holdings Limited
Australand Property Limited as the responsible entity of
Australand Property Trust
Australand Investments Limited as the responsible entity
of Australand Property Trust No.4 and Australand
Property Trust No.5
Level 3, 1C Homebush Bay Drive
Rhodes NSW 2138

14 July 2014

Dear Directors

PART ONE –INDEPENDENT EXPERT'S REPORT

1 Introduction

On 4 June 2014, Australand Property Group (Australand) announced that it had received a conditional proposal from Frasers Centrepoint Limited (Frasers) to acquire 100% of Australand's stapled securities (the Stapled Securities) via an off-market takeover offer (the Offer).

On 1 July 2014, Australand announced that it had entered into a Bid Implementation Agreement (BIA) with Frasers in relation to the Offer, which is subject to a number of conditions as set out in Section 5 of this report.

The Offer is being made by Frasers Amethyst Pte. Ltd., a wholly owned subsidiary of Frasers (the Bidder).

Under the terms of the Offer, the holders of the Stapled Securities (Australand Securityholders or Securityholders) will receive cash consideration of $4.48 per Stapled Security. In addition:

- Australand Securityholders will be entitled to receive an additional distribution to a maximum of 12.75 cents per Stapled Security. The Allowed Distribution represents the expected second half 2014 distribution of 12.75 cents per Stapled Security, pro-rated for the period from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014 (Allowed Distribution)
- Australand Securityholders on the register as at 5.00pm Australian Eastern Standard Time on 30 June 2014 will receive the first half 2014 distribution of 12.75 cents per Stapled Security.

In order to assist Australand Securityholders in assessing the Offer, the Directors of Australand have appointed KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to prepare an Independent Expert's Report (IER) setting out whether, in our opinion, the Offer is fair and reasonable to Australand Securityholders.

Australand is a stapled group that comprises Australand Holdings Limited (AHL) and its controlled entities, Australand Property Trust (APT) and its controlled entities, Australand Property Trust 4 (APT4) and its controlled entities and Australand Property Trust 5 (APT5) and its controlled entities. The Stapled Securities are listed on the Australian Securities Exchange (ASX), with each Stapled Security comprising one share in AHL and one unit in each of APT, APT4 and APT5.

Frasers is listed on the Singapore Exchange and had a market capitalisation of approximately SGD$5,360.6 million on 30 June 2014. Frasers' largest shareholder is TCC Assets Ltd, which holds a 59.4% interest. Frasers' principal activities include property development, investment and management of commercial properties, serviced residences and property trusts. Frasers' real estate portfolio comprises properties located in Singapore, China and Australia. The company is head-quartered in Singapore and was founded in 1963.

This report sets out KPMG Corporate Finance's opinion on the Offer, and will be included in the Target's Statement to be sent to Securityholders. This report should be considered in conjunction with, and not independently of, the information set out in the Target's Statement.

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

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

2 Requirement for our report

There is no technical requirement for an IER to be prepared in relation to the Offer.

However, the Directors of Australand have requested KPMG Corporate Finance prepare a report which satisfies the requirements under Section 640 of the Corporations Act (the Act). Under Section 640 of the Act, an IER is required to state whether an offer is considered fair and reasonable.

Further details regarding the basis of assessment for the IER are set out in Section 6 of this report.

3 Summary of opinion

3.1 Conclusion

In our opinion, having assessed the Offer to Australand Securityholders, we consider the Offer to be **fair and reasonable**, in the absence of a superior proposal.

Australand has been the subject of a significant amount of corporate activity over the past two years, culminating in the Offer received from Frasers and Australand entering into a BIA on 1 July 2014. Some of the key events that preceded the Offer over this time include:

- on 7 December 2012, GPT Group made a non-binding proposal to acquire Australand's Investment Property Portfolio and Commercial & Industrial division
- CapitaLand Limited (CapitaLand) announced a strategic review in respect of its 59% interest in Australand on 10 January 2013 and subsequently sold down its 59% interest in two tranches on 20 November 2013 and 19 March 2014
- on 19 March 2014, Stockland Corporation Limited (Stockland) announced an interest in 19.9% of Australand
- two non-binding proposals from Stockland to acquire 100% of the Stapled Securities for Stockland scrip were received on 22 April 2014 and 28 May 2014
- a non-binding cash proposal was received from Frasers on 3 June 2014, which led to the signing of the BIA on 1 July 2014 and Frasers making the Offer.

In arriving at our opinion in relation to the Offer, we have assessed whether the Offer is fair having based our fairness assessment on comparing the consideration offered of $4.48 per Stapled Security to our assessed value of Australand on a control basis. This analysis indicated that the Offer falls within our assessed value range of $4.22 to $4.54 per Stapled Security on a fully diluted basis and accordingly we consider the Offer to be fair.

In forming our opinion as to the reasonableness of the Offer we have considered a number of advantages and disadvantages for Australand Securityholders including:

- the Offer allows Australand Securityholders to realise their investment at a premium to the recent security prices prior to the Offer being announced and a premium to the net tangible asset value
- the Offer provides an additional benefit of the Allowed Distribution
- the Offer provides certainty of price and outcome for Securityholders
- the Offer is currently superior to the other proposals
- the Offer will result in reinvestment risk.

Our analysis of the reasonableness of the Offer is detailed further in Section 3.3 of this report.

3.2 The Offer is fair

As stated above our fairness assessment has been based on comparing the consideration under the Offer of $4.48 per Stapled Security to our assessed value of Australand on a control basis. We have undertaken our analysis on this basis, in accordance with the guidance set out in the Australian Securities and Investments Commission (ASIC) Regulatory Guide 'Content of Expert Reports' (RG 111).

In determining the value of the Stapled Securities, KPMG Corporate Finance has applied a sum-of-the-parts (SOTP) approach. Under this approach, the value of Australand is the aggregate of the market value of Australand's Investment Property division, the Commercial & Industrial division and Residential division (referred to collectively as the Development Divisions). We have then adjusted for the capitalised value of corporate overhead costs, other assets and liabilities and net debt, and the addition of a premium for control.

We have assessed the equity value of Australand to be in the range of $2,455.3 million to $2,640.1 million, which corresponds to a value of $4.22 to $4.54 per Stapled Security on a fully diluted basis. Our valuation assumes 100% ownership of Australand and therefore incorporates a premium for control. Our valuation is summarised below.

Table 1: Australand valuation summary

	Section reference	Value range ($m) Low	High
Investment Property division	8.3	2,531.1	2,531.1
Development Divisions	8.4	1,470.0	1,610.0
Corporate overheads	8.5	(238.0)	(210.0)
Enterprise value		**3,763.1**	**3,931.1**
Less: Net debt	8.6	(1,239.8)	(1,239.8)
Less: Provision for distributions	8.7	(78.9)	(78.9)
Add: Deferred tax assets	8.8	30.2	30.2
Add: Other assets and liabilities	8.9	7.5	7.5
Equity value		**2,482.0**	**2,650.0**
Premium for control	8.10	248.2	265.0
Equity value (controlling interest basis)		**2,730.3**	**2,915.1**
Less: ASSETS hybrid	8.11	(275.0)	(275.0)
Equity value attributable to Australand Securityholders		**2,455.3**	**2,640.1**
Fully diluted Stapled Securities on issue (million)[1]	7.9.1	581.8	581.8
Value per Stapled Security		**4.22**	**4.54**

Source: KPMG Corporate Finance analysis
Note 1: The fully diluted number of Stapled Securities on issue is based on the assumption that the Offer becomes unconditional on 31 July 2014

A comparison of the Offer price to our assessed value per Stapled Security is outlined in the table below.

Table 2: Comparison of consideration offered to assessed value

$	Low	High
Offer price per Stapled Security	4.48	4.48
Assessed value per Stapled Security	4.22	4.54
Premium / (discount)	**6.2%**	**(1.3%)**

Source: KPMG Corporate Finance analysis
Note 1: Securityholders are also entitled to the Allowed Distribution and half year 2014 distribution of 12.75 cents which will be received in addition to the Offer

According to RG 111, the Offer should be considered fair if the consideration offered to securityholders is equal to, or higher than, the assessed value of that security. **As the analysis indicates that the Offer falls within our assessed value range of $4.22 to $4.54 per Stapled Security, we consider the Offer to be fair.**

3.3 The Offer is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. This would imply that the Offer is reasonable. We note, however, irrespective of the statutory obligation to conclude that the Offer is reasonable simply because it is fair, we have also considered a range of factors which, in our opinion, support a reasonableness conclusion in isolation of our fairness opinion.

The factors relevant in assessing the reasonableness of the Offer include:

- advantages and disadvantages of the Offer
- implications if the Offer is not accepted.

The Securityholders should consider these factors in determining whether or not to accept the Offer.

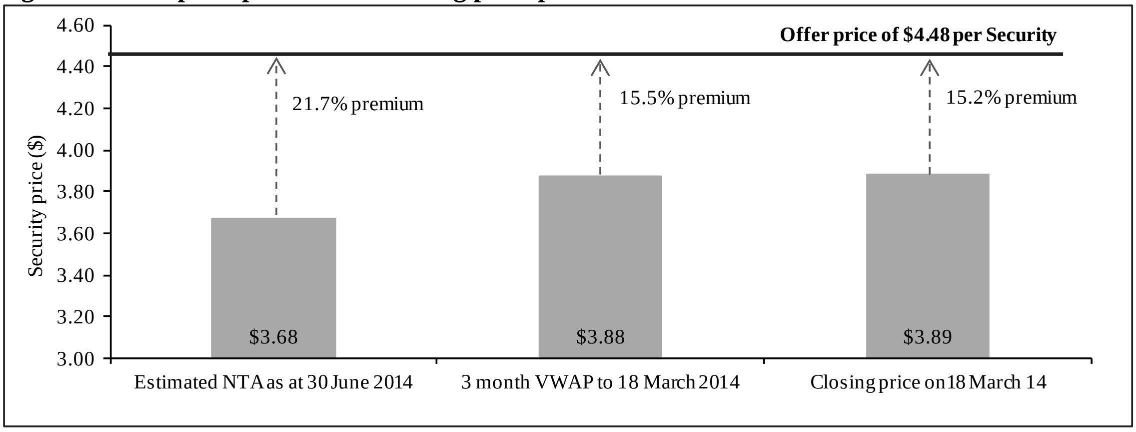
3.3.1 Advantages of the Offer

Outlined below are the principal advantages of the Offer.

The consideration allows Securityholders to realise their investment in Australand at a premium to recent security prices and net tangible asset (NTA) value

The consideration offered, being cash consideration of $4.48 per Stapled Security, represents a premium to estimated NTA at 30 June 2014 and to the trading prices of the Stapled Securities prior to 19 March 2014 (being the date upon which Stockland increased its economic interest in Australand by 15.7% to hold an aggregated economic interest of 19.9%), as illustrated below.

Figure 1: Offer price premium to trading price prior to 19 March 2014 and to NTA



Source: KPMG Corporate Finance analysis

It is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a security to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. The level of premium observed in takeovers varies, depending largely on the circumstances of the target, competitive tension in the sales process and the level of synergies available. Observations from transaction evidence indicate that these premiums generally range between 20% and 35%[1], although we note this is for a range of industries, not the property industry specifically.

The premium offered by Frasers, whilst below this range, is reasonable given:

- over 64% of Australand's enterprise value relates to investment property assets which typically do not command a premium as the value is already determined on a control basis
- the premium is primarily in relation to the Development Divisions and potential synergies associated with corporate overhead
- Australand has been subject to considerable corporate activity over the past 18 months such that a level of premium is likely to have also been captured in its trading prices
- the expected level of strategic benefits that Frasers can expect to achieve from the acquisition.

Benefits of the Allowed Distribution

The Allowed Distribution is a distribution which represents the expected second half 2014 distribution of 12.75 cents per Stapled Security, pro-rated for the period from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014. The Allowed Distribution is in addition to the Offer price and accrues in the interim until the Offer becomes unconditional or 31 December 2014. This will allow Securityholders to realise value for their investments in line with the expected yield on their investment.

Australand Securityholders[2] will also receive payment of the first half 2014 distribution of 12.75 cents per Stapled Security.

Both the Allowed Distribution and first half distribution are amounts that will be paid in addition to the Offer price of $4.48 per Stapled Security.

The Offer provides certainty of price and outcome for Securityholders

Under the Offer, Securityholders will receive cash and achieve certainty in relation to the pre-tax amount which they will receive in exchange for their Stapled Securities. The Offer also provides Securityholders with a cost effective means by which to dispose of their Stapled Securities.

The Offer is currently superior to other proposals

In assessing the Offer, we have considered the alternative options available to Australand Securityholders. A final non-binding indicative proposal was put forward by Stockland on 28 May 2014, and whilst at the date of this report the proposal has not been withdrawn, we consider the Offer to be superior to Stockland's proposal for the following reasons:

- the value of consideration under the Offer exceeds the value under the final non-binding indicative proposal made by Stockland of $4.35 per Stapled Security

[1] Based on analysis of transactions between 2000 and 2014 sourced from Connect4

[2] Australand Securityholders on the register at 5:00pm on 30 June 2014

- the conditions which the Offer is subject to are more favourable than those which were applicable to the proposal made by Stockland
- the Offer from Frasers for cash consideration provides more certainty relative to Stockland's conditional scrip proposal.

We also note that as at the date of this report, no superior proposal has been made by Stockland or any other parties since the announcement of the Offer.

In addition, this Offer is the most favourable proposal to have emerged in the 18 months since CapitaLand announced a strategic review in respect of its 59% interest in Australand on 10 January 2013. CapitaLand's 59% interest was disposed of in its entirety.

3.3.2 Disadvantages of the Offer

Reinvestment risk

An investment in Australand provides Securityholders with exposure to the diversified property sector through a portfolio of industrial and commercial property assets and development activities which are primarily focused on medium density residential development and industrial property development. During recent years, this exposure has provided Securityholders with total shareholders returns which have outperformed the S&P ASX200 A-REIT Index (A-REIT Index) and the broader S&P ASX200.

Whilst there is no certainty as to the future returns which will be generated by Australand, current market sentiment indicates that there is potential for further compression in capitalisation rates over the short to medium term, which may result in capital appreciation in the value of Australand's property portfolio.

By accepting the Offer, Securityholders will no longer be exposed to the potential benefits from an investment in a diversified property group. It may be difficult and potentially costly for Securityholders to reinvest the proceeds from the Offer in an asset which replicates Australand's investment profile.

3.4 Other considerations

In forming our opinion, we have also considered a number of other factors as outlined below. Whilst we do not necessarily consider these to be advantages or disadvantages of the Offer, we consider it appropriate to address these considerations in arriving at our opinion.

The trading price of the Stapled Securities is likely to fall if the minimum acceptance condition of the Offer is not satisfied or waived by the Bidder and no superior proposal emerges

A condition of the Offer is the Bidder having a relevant interest in more than 50% of all Stapled Securities (on a fully diluted basis). In the event that this condition is not satisfied, or waived by the Bidder, the Offer will lapse.

Following the announcement of the Offer by Frasers on 4 June 2014, the Stapled Securities have traded between $4.43 to $4.61. Whilst it is not possible to accurately predict the price at which the Stapled Securities will trade should the Offer not complete, or be waived by the Bidder, we consider it likely that, in the absence of a superior proposal emerging, the price is likely to be below this range.

Risks associated with being a minority Australand Securityholder

Under the terms of the Offer, Frasers have offered to acquire 100% of the Stapled Securities. Australand Securityholders that do not accept the Offer will continue to be exposed to ongoing risks associated with an investment in Australand and, as a minority securityholders with a controlling securityholders in place, may also be exposed to the following consequences:

- where Frasers acquires an interest in the Stapled Securities of more than 50% but less than 90%:
  - a change of control will be deemed to occur which may impact the availability of Australand's financing facilities and material contracts[3]
  - Frasers will have the control to determine the composition of the Board of Directors and be in a position to cast the majority of votes at a general meeting. It is Frasers current intention to review, and likely replace, the current Australand Directors
  - Frasers will be able to pass an ordinary resolution at a meeting of Australand Securityholders which, amongst other outcomes, could result in a change in the strategic direction of Australand and a change in the distribution policy
  - the Trusts comprising Australand will no longer qualify as managed investment trusts (MIT) for tax purposes resulting in non-Australian resident Securityholders no longer benefiting from MIT unit withholding tax on certain distributions
  - Frasers intends to review Australand's listing on the ASX and subject to compliance with the Corporations Act and ASX guidance, will seek to arrange for Australand to be removed from the official list of the ASX.
- where Frasers acquires an interest in Australand of at least 75%, it will be able to pass a special resolution at a meeting of Australand Securityholders which, amongst other outcomes, could result in a change to Australand's constitution, operations or distribution policy
- where Frasers acquires an interest in Australand of at least 90% or more, under the Corporations Act, Frasers will become entitled to compulsorily acquire the remaining 10% of the Stapled Securities. If this occurs, minority Australand Securityholders will be compelled to sell their Stapled Securities to Frasers and Australand will be removed from the official list of the ASX
- the level of acceptances of the Offer is uncertain, however as the level of acceptances increases it will likely result in lower liquidity of the Stapled Securities and reduced coverage from analysts, particularly if acceptances result in Frasers exceeding a 70% interest, in which case Australand will no longer be eligible to be included in the S&P/ASX Indices. In addition, Australand may be unable

[3] Refer to further details in Section 4.14 of the Target's Statement

to maintain its listed status if the number of Stapled Securities falls below the admission criteria specified in the ASX Listing Rules, resulting in the Stapled Securities not being able to be bought or sold on the ASX.

Taxation consequences of accepting the Offer

Australand has provided a general outline of the tax consequences associated with the acceptance by Australand Securityholders of the Offer under Australian income tax and Goods and Services Tax (GST) legislation in Section 6 of the Target's Statement. The key tax considerations are as follows:

- the disposal of the Stapled Securities pursuant to the Offer will have capital gains tax (CGT) implications for Australand Securityholders. A capital gain or a capital loss may arise from accepting the Offer depending on the individual Securityholder circumstances
- the Offer will not satisfy the conditions for CGT roll-over. As such, no part of a capital gain arising for Australand Securityholders from the disposal of the Stapled Securities will be able to be deferred
- no GST will be charged nor any GST liability will arise for Securityholders (resident or non-resident) if they accept the Offer.

We advise that Australand Securityholders should consider their individual circumstances, review Section 6 of the Target's Statement for further information where it applies to their circumstances, and seek the advice of their own professional advisor prior to accepting the Offer.

Under certain circumstances Australand may become liable to pay a break fee to Frasers

The BIA contains standard deal protection provisions, including a break fee of 1% of the aggregate value of the Offer, together with no shop and no due diligence restrictions and matching rights. These customary deal protections are in favour of Frasers and are only a consequence in certain circumstances. If a superior proposal emerges, Australand has the right to terminate the BIA subject to Frasers' matching rights.

Consequences of change of control and Australand default

On the Offer becoming unconditional and Frasers acquiring more than 50% of the Stapled Securities, this may impact some of Australand's material contracts and may result in a requirement to make financial payments. However, there are a number of safeguards which seek to minimise disruption or financial impacts. These include:

- consents being received from the relevant financiers under the 2011 and 2012 Facility Agreements to waive their rights in respect of the potential review event and event of default that may occur as a consequence of the Offer triggering a change of control, which may have required Australand to repay one or both of the facilities in full
- the US Private Placement (USPP) notes contain a change of control provision which, if triggered as a consequence of the Offer would require Australand to make an offer to the USPP note holders to repay the notes at par value with accrued interest. In addition, a delisting or suspension of trading would result in an accelerated payment of the principal amount of the notes at par value, accrued interest and a 'make-whole' amount (an amount equal to the discounted value of the remaining

scheduled payments). Australand currently has undrawn debt facilities and cash available to repay the USPP notes if required

- Australand Subordinated Step-up Exchangeable Trust Securities (ASSETS) may be redeemed or exchanged by Australand following a change of control event which the Offer will trigger if it becomes unconditional. The ASSETS may currently be redeemed in the period prior to the ASSETS distribution period. The face value of the ASSETS on issue as at 30 June 2014 was $275 million. Whilst Australand and Frasers, as part of the BIA, have acknowledged it is their current intention that the ASSETS will be redeemed on a change of control, it is an intention only and not a commitment, which will be contingent on the availability of financing
- Australand has some material joint venture arrangements which include the Australand Logistics Joint Venture (ALJV) and the Australand Residential Trust Agreement (ART). Under these arrangements, in the event the Offer becomes unconditional and the Bidder becomes the holder of more than 50% of the Stapled Securities, it will trigger a change of control, in which case the co-venturer may:
  - in respect of the ALJV:
    - buy-out (or elect that its nominee will buy-out) the Australand interest in the joint venture for market value (less transaction costs)
    - require an orderly wind down of the joint venture
  - in respect of the ART Agreement:
    - buy-out (or elect that its nominee will buy-out) the Australand interest in the co-venture for 90% of market value (less transaction costs)
    - require Australand to sell its interest in the joint venture to a third party within six months, failing which the assets of the joint venture will be liquidated
    - require an orderly wind down and liquidation of the joint venture

  Consents from the co-venturers are likely to be achieved given Australand's relationship with the joint venture partners or in the case of ALJV, Australand's interest is protected as it would be required to be bought out at market value
- in respect to the financiers under Australand's material project financing facilities, consents have been received which waives their right in respect of the potential review events and events of default that may occur as a consequence of the Offer
- whilst in the ordinary course of business some contracts of Australand contains termination for convenience clauses (that is, the right to terminate for any reason on providing a period of notice) which the Offer could trigger. As at 11 July 2014, the Australand Board was not aware of any member of Australand receiving written notice from a counterparty seeking to exercise a right under these provisions as a result of the Offer.

In addition, in response to these potential consequences, Frasers is in the process of arranging a $900 million standby financing facility. At the date of this report, no binding facility agreement was in place, however Australia and New Zealand Banking Group Limited (ANZ) and National Australia Bank (NAB) have issued to Frasers and Australand a credit approved term sheet and the parties are currently negotiating documentation.

3.4.1 Implications if the Offer is not accepted

In the event the minimum acceptance condition of the Offer is not satisfied, and the Offer lapses, Australand will continue to operate "as-is" and its Stapled Security price will likely revert to levels prior to the announcement of the Offer. There is additional downside risk to the Stapled Security price given the price may have been boosted by the corporate activity which Australand has been subject to during the past two years.

For continuing Securityholders, the value of their investment will be impacted by Australand's future performance.

In addition, transaction costs of approximately $3 million will be incurred even if the minimum acceptance conditions of the Offer are not satisfied.

4 Other matters

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

Our report has been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Australand Securityholders in considering the Offer. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars ($) unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Target's Statement to be sent to Australand Securityholders in relation to the Offer, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Target's Statement.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of the attached report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 6 of our attached report.

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

Yours faithfully

Ian Jedlin
Authorised Representative

Sean Collins
Authorised Representative

Contents

5 The Offer

5.1 Overview of the Offer

On 4 June 2014, Australand announced it had received a conditional proposal from Frasers to acquire 100% of Australand's stapled securities via an off-market takeover offer. Prior to the Offer being received, Stockland had put forward two non-binding proposals to acquire 100% of Australand.

5.2 Terms of the Offer

Under the terms of the Offer, Australand Securityholders will receive cash consideration of $4.48 per Stapled Security. In addition:

- Australand Securityholders will be entitled to receive an additional distribution to a maximum of 12.75 cents per Stapled Security. The Allowed Distribution represents the expected second half 2014 distribution of 12.75 cents per Stapled Security, pro-rated for the period from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014
- Australand Securityholders on the register as at 5.00pm Australian Eastern Standard Time on 30 June 2014 will receive the first half 2014 distribution of 12.75 cents per Stapled Security.

The Offer extends to Stapled Securities issued to holders of Australand Performance Rights that vest between the Record Date[4] and the end of the Offer period[5].

As part of the Bidder's Statement and the BIA, Frasers has outlined its intentions in the event of acquiring a relevant interest in 90% or more of the Stapled Securities on issue. In this event, Frasers currently intends to:

- proceed with compulsory acquisition of the outstanding Stapled Securities in accordance with the provisions of Chapter 6A of the Act (although Frasers has not made any determination as to when it would proceed with compulsory acquisition after being entitled to do so)
- delist Australand from the official list on the ASX
- consider whether to replace the current responsible entities, AIL and APL, with an appropriately licensed entity
- review, and likely replace, the current Australand directors
- review the holding structure of Australand and Australand's assets with a view to determining the optimal structure for the Australand properties under 100% Frasers ownership
- review Australand's assets, which may include operational changes, acquisitions or disposals and changes to development programs

[4] Record Date refers to 9am on 1 July 2014 being the date set by Fraser under Section 633(2) of the Corporations Act
[5] The Offer period related to the period during which the Offer will remain open for acceptance in accordance with Section 7.2 of the Bidder's Statement

- subject to the following, keep existing financing arrangements in place
  - assist Australand in any refinancing required as a result of the transaction
  - procure that Australand exercise its right of redemption in respect of all the ASSETS in accordance with their terms as soon as is practicable
- conduct a thorough and broad-based general review of Australand's corporate structure, assets and operations
- retain key management.

In the event that Frasers acquires a relevant interest in more than 50% but less than 90% of the Stapled Securities, it currently intends to:

- review Australand's listing on the ASX
- review the current Australand distribution policy
- review, and likely replace, the current Australand directors
- review Australand's assets and make any determination following that review
- subject to the following, keep existing financing arrangements in place
  - co-operate with Australand in any refinancing required as a result of the transaction
  - Frasers currently considers that it would support a decision of Australand to exercise its right of redemption in respect of all the Australand Subordinated Step-up Exchangeable Trust Securities (ASSETS) in accordance with their terms as soon as is practicable
- conduct a thorough and broad-based general review of Australand's corporate structure, assets and operations
- potentially acquire (at some later time) further Stapled Securities in a manner consistent with the Act
- potentially exercise general compulsory acquisition rights under the Act, if it becomes entitled to do so at some later time.

5.3 Conditions of the Offer

For the Offer to be completed, a number of conditions must be satisfied. These include[6]:

- a minimum acceptance by more than 50% of the Stapled Securities (on a fully diluted basis)
- Australand continuing to conduct its business in the ordinary course
- no changes to Australand's distribution policy
- no issue of Stapled Securities or Australand Performance rights

[6] Further details relating to the conditions of the Offer are outlined in Section 7.7 of the Bidder's Statement

- Australand not making a material change to its senior management
- no Prescribed Occurrences, meaning any events listed in Section 7.7 (g) of the Bidder's Statement
- no material acquisitions or disposals
- no restraining or divesture orders.

The majority of these conditions are in the control of Australand to manage and ensure they are not breached. The Offer was also subject to a Foreign Investment Review Board (FIRB) approval condition. This condition was satisfied on 9 July 2014.

Should any of the conditions outlined above not be satisfied, or waived by Frasers prior to the end of the offer period on 7 August 2014 (including any extended Offer Period), then the Offer will lapse and no consideration will be received by any Australand Securityholders who have accepted the Offer.

6 Scope of the report

6.1 Purpose

There is no technical requirement for an IER to be prepared in relation to the Offer.

However, the Directors of Australand have requested KPMG Corporate Finance prepare a report which satisfies the requirements under Section 640 of the Corporations Act (the Act). Under this Section, an IER is required to state whether an offer is considered fair and reasonable.

In preparing this IER, we have referred to guidance by the ASIC under RG 111.

6.2 Basis of assessment

RG 111 indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111 notes:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison
- an offer is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for Securityholders to accept the offer in the absence of any higher bid before the close of the offer.

In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of Australand, we have considered those synergies and benefits that would be available to more than one potential purchaser (or a pool of potential purchasers) of Australand. As such, we have not included the value of special benefits that may be unique to Frasers. Accordingly, our valuation of Australand has been determined regardless of the bidder.

6.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Australand for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Australand's management in relation to the nature of Australand's business operations, specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Australand has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of Australand. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, Australand remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We do not make any statement in this report as to whether any forecasts or projections included in this report will be achieved, or whether the assumptions and data underlying any prospective financial information are accurate, complete or reasonable. We do not warrant or guarantee the achievement of any such forecasts or projections.

Accordingly, KPMG Corporate Finance cannot provide any assurance that the estimates will be representative of the results which will actually be achieved during the forecast period. In particular, we have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any prospective financial information. Any variations from forecasts/projections may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Australand has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to Australand and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Australand. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by Australand.

In relation to the financials for the half year ended 30 June 2014, we note the following:

- the financials have been based on management’s estimates
- the final amounts were not available at the time of this report
- the estimates may differ from the final half year accounts and have not been reviewed by Australand’s auditors.

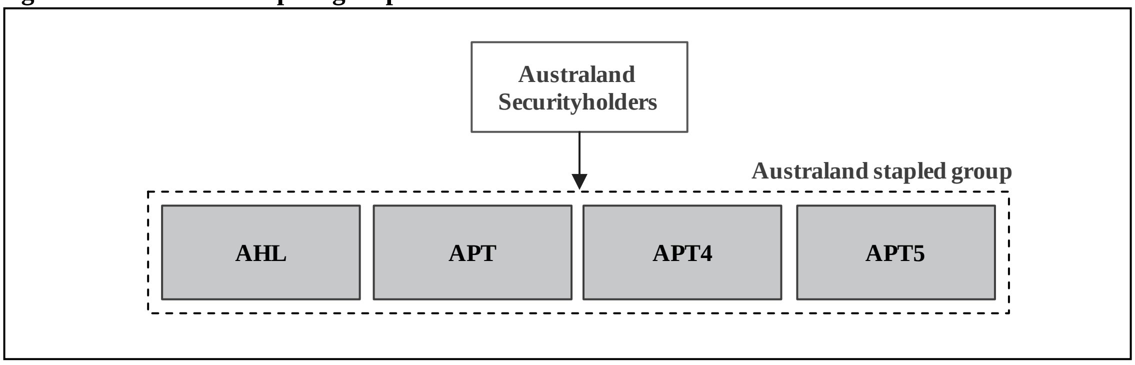
7 Profile of Australand

7.1 Overview

Australand is an Australian diversified property group listed on the ASX. It is a member of the A-REIT Index and as at 30 June 2014, had a market capitalisation of $2.57 billion.

Australand is a stapled group that comprises AHL and its controlled entities, APT and its controlled entities, APT4 and its controlled entities and APT5 and its controlled entities. Each Stapled Security comprises one share in AHL and one unit in each of APT, APT4 and APT5.

Figure 2: Australand stapled group structure



Source: Australand management

Australand has three core operating divisions, namely, Investment Property, Commercial and Industrial, and Residential. These divisions engage in the following activities:

- the Investment Property division generates passive investment income from a portfolio of industrial and office properties, and is responsible for the management of properties within the portfolio
- the Commercial & Industrial division engages in the design, development and construction of Commercial & Industrial properties
- the Residential division engages in the development of land, housing and apartments.

Australand's allocation of capital[7] between these divisions as at 31 December 2013, and their respective contributions to Australand's operating EBIT for the year ended 31 December 2013 comparatively to 31 December 2011, is illustrated below.

[7] Capital is defined as total assets less non-interest bearing liabilities at period end.

Figure 3: Capital allocation by division[1]

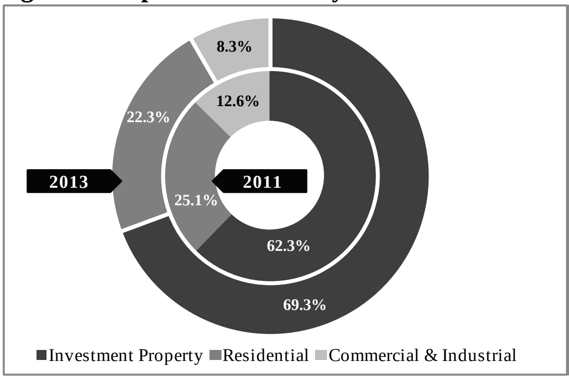
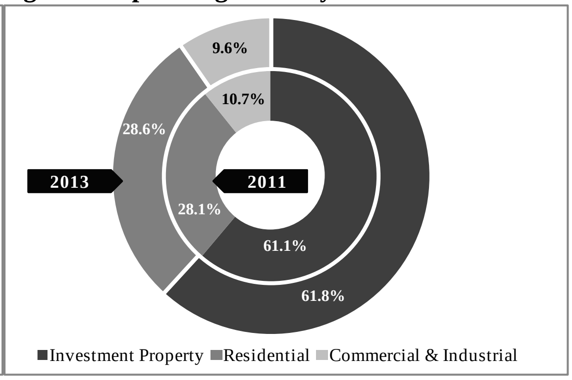


Figure 4: Operating EBIT by division[2]



Source: Australand Full Year Results Briefing for the years ended 31 December 2011 and 2013
Note 1: Total capital employed for 2011 and 2013 was $3,534 million and $3,438 million respectively
Note 2: Total operating EBIT (excluding corporate) for 2011 and 2013 was $270.7 million and $313.3 million respectively

At 31 December 2013, 69.3% of capital employed by Australand was allocated to the Investment Property division, with this division generating 61.8% of operating EBIT.

The Residential and Commercial & Industrial divisions contribute a proportionately greater share of operational EBIT relative to capital employed. This is due to the higher level of returns targeted on capital employed by these divisions as a result of the activities performed and associated risks. Australand has a target return on average capital employed (ROACE) for the Residential and Commercial & Industrial divisions of 12% per annum.

Australand has indicated that its target capital allocation strategy is in the order of 70% to investment property activities and 30% to development activities. The gradual implementation of the capital allocation strategy is illustrated in the graph above with a higher proportion of capital being allocated to the Investment Property division in 2013 compared to 2011.

An overview of the Australian Real Estate Investment Trust (A-REIT) industry, and the industrial, commercial and residential property sector in which Australand operates, is set out in Appendix 5.

7.2 Investment property division

Australand's investment property division comprises investments in a portfolio of property assets in the Commercial & Industrial property sectors. Australand is responsible for all leasing and property management across the portfolio, with the exception of the properties in Western Australia and South Australia and two properties in Victoria.

The division's strategy is to maintain a portfolio of high quality assets that provide a reliable, growing income stream, while optimising return on capital by reducing exposure to low returning assets.

Growth in earnings is achieved by increases in rental rates, which are either fixed or market based and by increasing the size of the portfolio through the acquisition or addition of properties.

Revaluation gains are generated by the capital appreciation of the portfolio and valuation uplifts are realised upon the addition of internally developed projects to the portfolio.

At 31 December 2013, the investment property division had a portfolio value of $2.4 billion across 68 properties located throughout Australia. Australand's investment property portfolio is summarised below.

Table 3: Investment property portfolio summary as at 31 December 2013

Sector	Number of properties	Valuation ($ million)	WACR[1] (%)	Lettable area (sqm)[2]	WALE[3] (years)	Occupancy (%)
Industrial	51	1,197	8.44%	942,832	5.8	96.1%
Office	17	1,191	7.51%	269,367	4.8	93.6%
Total	**68**	**2,388**	**7.98%**	**1,212,199**	**5.3**[4]	**94.9%**[4]

Source: Australand Results Briefing for the full year ended 31 December 2013
Note 1: Weighted Average Capitalisation Rate (WACR)
Note 2: Lettable area for the industrial portfolio and office portfolio represents the gross lettable area and net lettable area respectively
Note 3: Weighted Average Lease Expiry (WALE)
Note 4: Represents a weighted average total

The composition of Australand's investment property portfolio, by sector and by location is illustrated below.

Figure 5: Portfolio composition by sector[1]

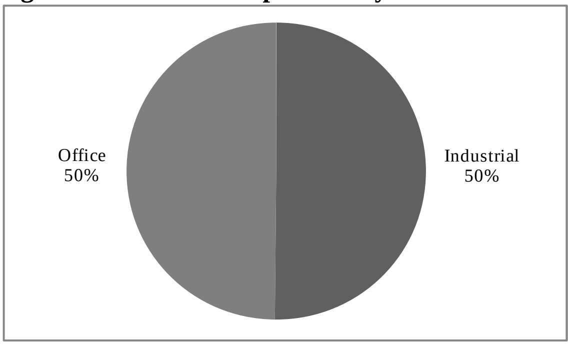
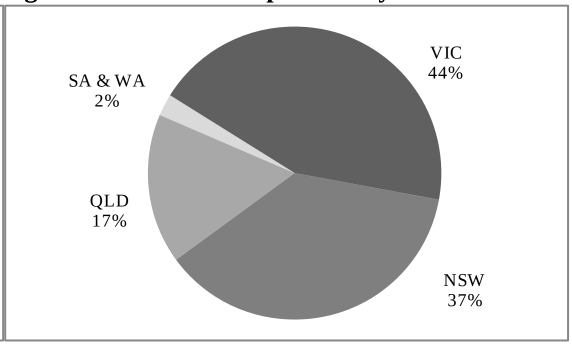


Figure 6: Portfolio composition by location[1]



Source: Australand Results Briefing for the full year ended 31 December 2013
Note 1: Total value of the portfolio at 31 December 2013 was $2,388 million

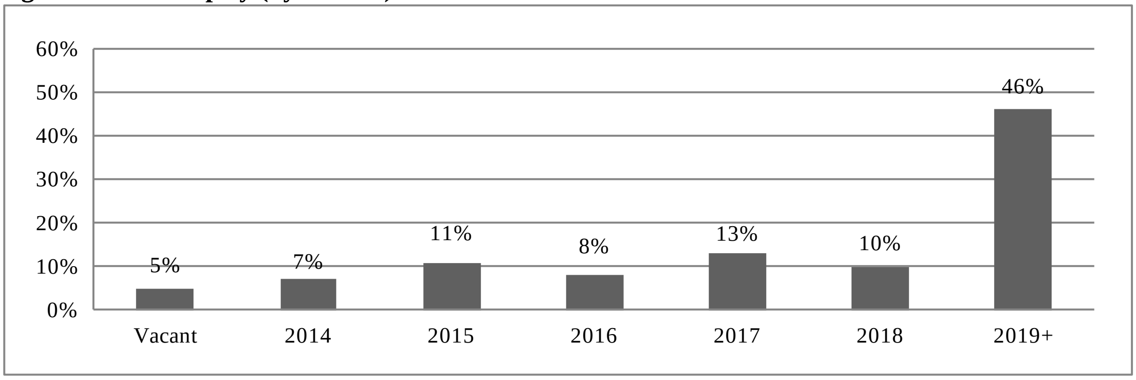
In relation to the portfolio composition, we note:

- in terms of value, the portfolio is evenly split between the industrial and office sectors, however, of the total 68 properties held, 51 are industrial and 17 are office. The office properties therefore have a higher average value per property compared to the industrial properties
- the properties are predominantly located in Victoria (44%) and New South Wales (37%).

Australand has a number of large tenants across the portfolio, a Weighted Average Lease Expiry (WALE) of 5.3 years and an occupancy rate of 94.9%. The top five tenants, which contribute 25% of portfolio revenue, are Wesfarmers, Nestle Australia, PricewaterhouseCoopers, the Commonwealth Government of Australia and Commonwealth Bank.

The lease expiry profile of the investment property portfolio by sector is illustrated below.

Figure 7: Lease expiry (by income)



Source: Australand Results Briefing for the full year ended 31 December 2013

In relation to the portfolio lease expiry profile, we note the total portfolio has a WALE of 5.3 years, with the WALE's of the industrial sector and office sector 5.8 years and 4.8 years respectively.

The portfolio's weighted average capitalisation rate (WACR) has compressed during the four years to 31 December 2013, which has contributed to capital appreciation of the portfolio. The portfolio's WACR during recent years is set out below.

Figure 8: Portfolio WACR

	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13
Portfolio WACR	8.48%	8.38%	8.34%	8.09%	7.98%

Source: Australand Full Year Results Briefing for the years ended 31 December 2009, 2011 and 2013

At Australand's Annual General Meeting on 16 April 2014, Australand indicated that its regular independent valuation process would be accelerated and would encompass Australand's entire Investment Property portfolio. On 30 May 2014, Australand announced that its first half 2014 net revaluation gain[8] is expected (subject to final Director's review) to be approximately $76 million, equating to approximately 13 cents per Stapled Security and expected to increase NTA per Stapled Security by 3% to $3.68. Based on this net revaluation gain, Australand management estimates that the Investment Property portfolio at 30 June 2014, is expected to have a book value of $2.47 billion with a WACR of 7.71%.

Further detail of each property within Australand's portfolio, as at 31 December 2013, is included in Appendix 6.

7.2.1 Property management

Australand provides property management services for all properties within the investment property portfolio, with the exception of the properties in Western Australia and South Australia and two in Victoria. Australand generates property management fee revenue of approximately $5 million per annum for these services.

[8] Includes revaluation gains on investment property held, revaluation gains on investment properties under construction and amortisation of lease incentives

7.3 Commercial & industrial division

Australand's Commercial & Industrial division engages in the development of Commercial & Industrial properties and also provides pre-lease and turnkey developments, land sales and neighbourhood retail developments.

Industrial developments are primarily undertaken in Sydney, Melbourne and Brisbane. Commercial developments are focused only on the Sydney and Melbourne suburban commercial markets, as well as the Melbourne CBD.

The properties developed by this division are either sold to third parties or added to the portfolio held in the investment property division.

Earnings are generated by the sale of developed land and properties, or by revaluation uplifts on completed properties when they are transferred to the investment property division. Fees are also received from joint venture partners for the provision of design and construction services and project management services.

7.3.1 Key metrics

Key metrics of the Commercial & Industrial division are summarised below.

Table 4: Key metrics – Commercial & Industrial division[1]

	31-Dec-11	31-Dec-12	31-Dec-13
Revenue ($ million)	181	214	277
EBIT ($ million)	29	24	30
NTA uplift ($ million)	22	16	5
Total contribution ($ million)	51	40	35
Return on average capital employed (ROACE)[2] (%)	11.4	9.4	10.1
Built form - third party (sqm)	113,000	170,700	185,700
Built form - internal (sqm)	84,000	70,500	19,300
Land sales (sqm)	271,000	210,500	140,000
Capital employed[3] ($ million)	469	376	287
Forward workload (sqm)	210,000	183,000	165,000

Source: Australand Full Year Results Briefing for the years ended 31 December 2011, 2012 and 2013
Note 1: Key metrics include Australand's share of joint arrangements
Note 2: ROACE is calculated as EBIT plus NTA uplift / average capital employed including the impact of inventory write downs
Note 3: Capital employed is calculated as total assets less non-interest bearing liabilities at period end

In relation to above metrics, we note:

- in FY13, EBIT increased by 25% compared to the prior year, as a result of the Freshwater Place Stage 3 land sale for $30 million in the fourth quarter of 2013
- total contribution represents the sum of EBIT and NTA uplift contributed by the division. In FY13, this contribution decreased by approximately 13% compared to the prior year. This is attributable, in part, to the reduction in capital allocated to the division
- NTA uplift on investment properties, has decreased since FY11 as a result of a greater proportion of development activity related to third party built form relative to internal built form

- capital employed and forward workload have declined since FY11, which is consistent with Australand's capital allocation strategy
- ROACE achieved during the above periods were below Australand's targeted 12% per annum. This is attributable to subdued market conditions and a number of projects delivering lower than targeted margins.

7.3.2 Development pipeline

The division's forward workload at 31 December 2013 is summarised below.

Table 5: Forward workload

	Number of projects	Estimated end value ($ million)	Area (sqm)	Estimated revenue finish
Internal development				
New South Wales	2	26	16,550	2H14
Victoria	2	30	31,350	2H14
Sub total for internal development	**4**	**56**	**47,900**	
For external sale				
New South Wales	3	89	42,800	2H14 - 2015
Queensland	2	31	17,750	2H14 - 2015
Victoria	6	90	56,550	2H14
Sub total for external sale	**11**	**210**	**117,100**	
Total	**15**	**266**	**165,000**	

Source: Australand Results Briefing for the full year ended 31 December 2013

In addition to forward workload, the future pipeline is expected to be supported by the 255ha industrial landbank currently held by Australand. Management has indicated that the estimated end value of the development pipeline from this landbank is $1.8 billion.

7.4 Residential division

Australand's Residential division provides end-to-end services for the development, construction, management and sale of residential lots for medium to high density housing and apartments in Australia. During the year ended 31 December 2013, the Residential division contributed approximately 32% of Australand's EBIT.

The core activities of the Residential division include:

- acquisition of strategically positioned land for built form and housing development
- design, development, management and construction of residential lots
- land sales.

Earnings are generated through the sale of residential lots and fees generated from management of residential sites. At 31 December 2013, Australand had an economic interest in 1,148 contract lots on hand for settlement, with a total value of $587 million.

7.4.1 Key metrics

Key metrics of the Residential division are summarised below.

Table 6: Key metrics – Residential division[1]

	31-Dec-11	31-Dec-12	31-Dec-13
Revenue ($ million)	587	599	582
EBIT ($ million)	76	93	90
ROACE[2] (%)	8.6	10.2	10.5
Lots sold	1,654	1,242	1,287
Contracts on hand (lots)[3]	623	690	1,148
Contracts on hand (value)	348	345	587
Capital employed ($ million)[4]	908	873	767
Lots under management	21,800	20,400	19,450
Pipeline end value ($ billion)	8.1	8.0	7.5

Source: Australand Full Year Results Briefing for the years ended 31 December 2011, 2012 and 2013
Note 1: Key metrics include Australand's share of joint arrangements and precinct development agreements
Note 2: ROACE is calculated as EBIT / average capital employed including the impact of inventory write downs
Note 3: Contracts on hand (lots) represents Australand's economic interest
Note 4: Capital employed is calculated as total assets less non-interest bearing liabilities at period end

In relation to above metrics, we note:

- in FY13, EBIT decreased by approximately 3% from FY12, however achieved a proportionally higher EBIT, compared to the prior year, in terms of average capital employed
- the Residential division was able to increase overall sales activity in FY13 by 25% as a result of strong pre-sales in NSW and improvements in Victoria and Queensland
- contracts on hand, in terms of number of lots, increased by approximately 66% with a significant portion expected to be settled in FY14
- capital employed had reduced by approximately 12% in comparison to the prior year which is consistent with Australand's capital allocation strategy
- ROACE achieved during the above periods were below Australand's targeted 12% per annum. This is attributable to subdued market conditions and a number of projects delivering lower than targeted margins.

7.4.2 Development pipeline

Outlined in the table below is the number of lots under management by Australand as at 31 December 2013.

Table 7: Lots under management (by end value)[1]

At 31 December 2013	Number of projects	Land ($ millions)	Housing & medium density ($ millions)	High density ($ millions)	Total end value ($ millions)
By geography					
NSW	11	392	919	953	2,264
Victoria	15	2,431	640	-	3,071
Queensland	7	159	648	91	898
Western Australia	8	877	363	24	1,264
Total	**41**	**3,859**	**2,570**	**1,068**	**7,497**
By arrangement					
Wholly owned	21	734	1,701	482	2,917
JO	9	441	683	553	1,677
JV/PDA/MR	11	2,684	186	33	2,903
Total	**41**	**3,859**	**2,570**	**1,068**	**7,497**

Source: Australand Results Briefing for the full year ended 31 December 2013
Note: Total values outlined represent Australand's economic interest in joint ownerships, joint ventures and precinct development agreements

In relation to the above, we note:

- Australand had an economic interest in 41 projects in the residential development pipeline with a total end value of $7.5 billion
- in terms of total end value, land and housing and medium density properties represented 51.5% and 34.3% respectively
- Australand employs a number of arrangements for residential developments, including wholly owned arrangements, joint ownerships (JO), joint ventures (JV), project development agreements (PDA) and/or management rights (MR) arrangements with third parties. The basis of each arrangement is dependent on the nature and circumstances of each project's requirements and also provides Australand with a strategic method of expanding development activities in a capital efficient manner. At 31 December 2013, wholly owned and JV/PDA/MR arrangements represented 38.9% and 38.7% of the total end value of residential developments respectively.

7.5 Board of directors and senior management

Australand currently has six board members. The senior management team consists of seven members including, the Managing Director (who also sits on the board), Chief Financial Officer (CFO), two Executive General Managers (EGM), General Manager (Human Resources and Safety), Company Secretary and General Counsel.

Australand's board of directors and senior management are set out below.

Table 8: Board of directors and senior management

Board members	Senior management
Mr Paul Dean Isherwood, AO (Chairman and Non-executive Director)	Mr Robert William Johnston (Managing Director)
Mr Robert William Johnston (Managing Director)	Mr Kieran Pryke (CFO)
Ms Beth May Laughton - Non-executive Director	Mr Rob Fehring (EGM - Residential)
Ms Nancy Jane Milne, OAM - Non-executive Director	Mr Sean McMahon (EGM - Investment Property, Commercial & Industrial)
Mr Stephen Eric Newton - Non-executive Director	Mr Chris Warrell (General Manager HR and Safety)
Mr Robert Edward Prosser - Non-executive Director	Ms Beverley Ann Booker (Company Secretary)
	Mr Michael Bowden Newsom (General Counsel)

Source: Australand Results Briefing for the full year ended 31 December 2013

7.6 Financial performance

The financial performance of Australand for the years ended 31 December 2011, 2012 and 2013 is summarised below. The financial performance for the half year ended 30 June 2014 results has not been included in the table below as they were not finalised at the time of this report.

Table 9: Financial performance

For the period ended $ million unless otherwise stated	**31-Dec-11 12 months**	**31-Dec-12 12 months**	**31-Dec-13 12 months**
Investment property	165.5	178.1	193.6
Commercial and Industrial	28.9	24.2	30.2
Residential	76.1	93.2	89.5
Corporate	(28.0)	(29.7)	(29.8)
Operating EBIT	**242.5**	**265.8**	**283.5**
Net interest expense	(81.3)	(99.9)	(114.5)
Operating profit before tax	**161.2**	**165.9**	**169.0**
Tax benefit / (expense)	0.9	-	-
Net profit attributable to ASSETS hybrid equity holders	(26.6)	(23.9)	(21.1)
Net operating profit after tax (operating earnings)[1]	**135.4**	**142.1**	**147.9**
Revaluation gains on investment property held[2]	37.5	38.9	43.2
Revaluation gains on investment properties under construction[3]	21.9	16.0	4.9
Write-down of development and joint venture assets	(30.0)	-	(65.0)
Amortisation of lease incentives	-	(3.6)	(4.2)
Unrealised gain/(loss) on interest rate derivatives	(24.2)	(13.4)	10.1
Corporate activity expenses	-	-	(1.6)
Net profit attributable to Australand Securityholders	**140.6**	**180.0**	**135.3**
Statistics			
Basic and diluted earnings per stapled security (cents)	*24.4*	*31.2*	*23.4*
Operating earnings per stapled security (cents)	*23.5*	*24.6*	*25.6*
Distributions per stapled security (cents)	*21.5*	*21.5*	*21.5*
Payout ratio (based on operating earnings)	*91.6%*	*87.5%*	*84.0%*
Development ROACE[4]	*9.5%*	*9.9%*	*10.4%*
Interest cover (times)[5]	*3.0*	*2.7*	*2.5*

Source: Australand Annual Reports for years ended 31 December 2011, 2012 and 2013; KPMG Corporate Finance analysis
Note 1: Net operating profit after tax reflects the Group's statutory result adjusted to reflect it operating performance after finance costs and taxes. This measure of profit is in line with funds from operations (FFO) as defined within the Property Council of Australia's guidelines
Note 2: 31 December 2013 includes $4.3 million relating to share of joint ventures and associates revaluation gains
Note 3: The revaluation gains on investment properties under construction are included in the return on average capital employed calculation for the Commercial & Industrial division
Note 4: Development ROACE is based on development EBIT plus NTA uplift on internal developments divided by average capital employed including the impact of inventory write downs
Note 5: Interest cover ratio is based on operating EBIT divided by the respective net interest expense

In relation to the financial performance of Australand, we note the following:

- operating EBIT for investment properties has increased since FY11, from a combination of rental growth, completion of a number of internally developed investment properties and an increase in capital allocated to the investment property division
- income generated from the Commercial & Industrial division increased by 25% in FY13, which was primarily attributable to the Freshwater Place Stage 3 land sale
- the corporate segment represents unallocated overhead costs which include employee remuneration, share registry fees, non-executive director fees, audit and professional fees and insurances
- operating earnings has increased by between 4% to 5% per annum since 2011, predominantly driven by increases from annual rental escalations from investment properties
- in FY13, a write-down of inventories was recorded in the Commercial & Industrial and Residential division of $30 million and $35 million respectively. In the Commercial & Industrial division, the write-downs were taken in relation to five estates, primarily located in Queensland. The Residential division write-downs were made in respect of four projects located in Queensland. The write-downs to the carrying values reflect the reassessment of development timelines and the adoption of new strategies to accelerate capital recovery
- revaluation gains for investment property held represents the appreciation in property values resulting from increases in rental rates and changes in capitalisation rates. Since FY11, revaluation gains have been partially attributable to capitalisation rate compression across the investment property portfolio
- revaluation gains for investment properties under construction represent the NTA uplift generated from developments on investment properties. In FY13, this component totalled $4.9 million, representing a significant decrease on the $16 million uplift generated in the prior corresponding period as a result of greater proportion of development activity related to third party built form relative to internal built form
- distributions have remained constant since FY11 at 21.5 cents per Stapled Security per annum. Australand has provided guidance that distributions for FY14 will be increased to 25.5 cents per Stapled Security
- ROACE achieved during the periods from FY11 to FY13 were below Australand's targeted ROACE of 12% per annum. This is attributable to subdued market conditions and a number of projects delivering lower than targeted margins.

7.7 Financial position

The financial position of Australand as at 31 December 2011, 2012 and 2013, and as at 30 June 2014 is summarised below. The financials for the half year ended at 30 June 2014 are based on management estimates, which may differ from the final half year accounts and which have not been reviewed by Australand's auditors.

Table 10: Financial position

As at $ million	**31-Dec-11**	**31-Dec-12**	**31-Dec-13**	**30-Jun-14[1]**
Cash and cash equivalents	100.2	92.2	88.0	115.9
Receivables	213.2	215.3	168.2	127.8
Inventories	1,306.4	1,151.1	976.2	1,244.7
Investments accounted for using the equity method	112.4	126.5	80.8	83.7
Investment properties	2,165.1	2,286.0	2,387.9	2,468.7
Deferred tax assets	30.2	30.2	30.2	30.2
Derivative financial instruments	24.3	21.7	41.4	32.8
Other assets	118.9	160.8	38.3	38.9
Total assets	**4,070.7**	**4,083.9**	**3,810.9**	**4,142.7**
Payables	112.7	123.1	124.3	120.3
Interest bearing liabilities	1,435.2	1,393.2	1,148.0	1,388.5
Derivative financial instruments	76.9	122.5	83.8	4.1
Provisions	96.8	99.0	101.5	102.0
Land vendor liabilities	83.1	62.4	25.5	131.2
Total liabilities	**1,804.7**	**1,800.1**	**1,483.1**	**1,746.2**
Net assets	**2,266.0**	**2,283.8**	**2,327.8**	**2,396.5**
Equity				
Equity holder of AHL and APT:				
- Contributed equity	1,742.0	1,742.0	1,745.2	1,747.1
- Reserves	(42.3)	(80.4)	(51.5)	(43.1)
- Accumulated losses	(107.7)	(86.8)	(90.6)	(48.7)
Equity holder of APT4 and APT5 (non-controlling interest)	405.3	440.4	456.1	472.4
Stapled security holder interest in the Group	**1,997.3**	**2,015.2**	**2,059.1**	**2,127.8**
ASSETS hybrid equity	268.7	268.7	268.7	268.7
Total equity	**2,266.0**	**2,283.8**	**2,327.8**	**2,396.5**
Statistics				
NTA per stapled security[2]	*3.46*	*3.49*	*3.56*	*3.68*
Return on equity[3]	*8.7%*	*8.9%*	*9.5%*	*n/a*
Return on capital[4]	*5.3%*	*5.5%*	*6.4%*	*n/a*
Gearing[5]	*33.0%*	*32.1%*	*27.7%*	*31.0%*
Loan to value ratio[6]	*36.1%*	*34.9%*	*30.8%*	*34.5%*

Source: Australand Annual Reports for years ended 31 December 2011, 2012 and 2013; Australand management estimates for 30 June 2014; KPMG Corporate Finance analysis
Note 1: 30 June 2014 amounts are management estimates and may differ from the final results and have not been reviewed by Australand's auditors
Note 2: NTA per Stapled Security calculated as net tangible assets divided by stapled securities on issue at year end
Note 3:Return on equity is calculated as net operating profit after tax divided by total equity
Note 4:Return on capital is calculated as net operating profit after tax divided by total interest bearing liabilities plus total equity
Note 5:Gearing is calculated as net debt (current and non-current interest bearing liabilities less cash) over total assets less cash
Note 6: Loan to value ratio is calculated as total liabilities divided by total assets

In relation to the financial position of Australand, we note the following:

- as at 30 June 2014, the carrying value of Australand's Investment Property portfolio totalled $2,468.7 million
- receivables are stated at their carrying amount, which is assumed to approximate fair value. Of the total balance of $83.8 million as at 30 June 2014, $65.2 million relates to property settlements to be received by the Residential division
- inventories comprise the cost of acquisition of development properties, capitalised development costs and associated remaining costs. The inventories were written down during FY13 by $65 million to their net realisable value. The portion of inventories which relate to the Residential division and Commercial & Industrial division are $971.1 million and $260.9 million respectively at 30 June 2014. These balances represent land, land and housing, integrated land and housing, medium density, high-rise developments and Commercial & Industrial developments
- at 31 December 2013, the net deferred tax assets include a balance of $19.3 million[9] relating to unused tax losses. In accordance with the accounting policies, this balance represents the tax benefit which is considered probable that future taxable profits will be available to utilise. Total unused tax losses as at 31 December 2013 were $319.4 million, equating to a potential tax benefit of $95.8 million[10]
- land vendor liabilities relate to amounts that arise where Australand acquires a property through a deferred payment arrangement with a land owner
- since 2011, gearing has remained within Australand's strategic gearing range of 25% to 35%. Gearing increased at 30 June 2014 as a result of the timing of settlements which are greater in the latter half of the year
- derivative financial instruments comprise interest rate derivatives which are measured at fair value. The derivative financial instruments are used by Australand to hedge exposure to interest rate risk associated with movements in interest rates and to foreign exchange risk associated with movements in the US dollar. Other interest rate derivatives are used to manage the cost of funding
- provisions include amounts relating to the distributions to Australand Securityholders and holders of ASSETS for the six months ended 30 June 2014
- interest bearing liabilities comprise syndicated bank loans, US private placements and other secured borrowings. Further information on funding arrangements is set out in Section 7.7.1 below
- ASSETS a form of hybrid equity. Further information on ASSETS is set out in Section 7.7.2 of this report.

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[9] Net deferred tax asset balance at 31 December 2013 was calculated as the balance of consolidated tax losses of $95.8 million less the provision of recoverability of deferred tax assets of $76.5 million

[10] The potential tax benefit of $95.8 million was calculated as 30% of total unused tax losses of $319.4 million at 31 December 2013

7.7.1 Interest bearing liabilities

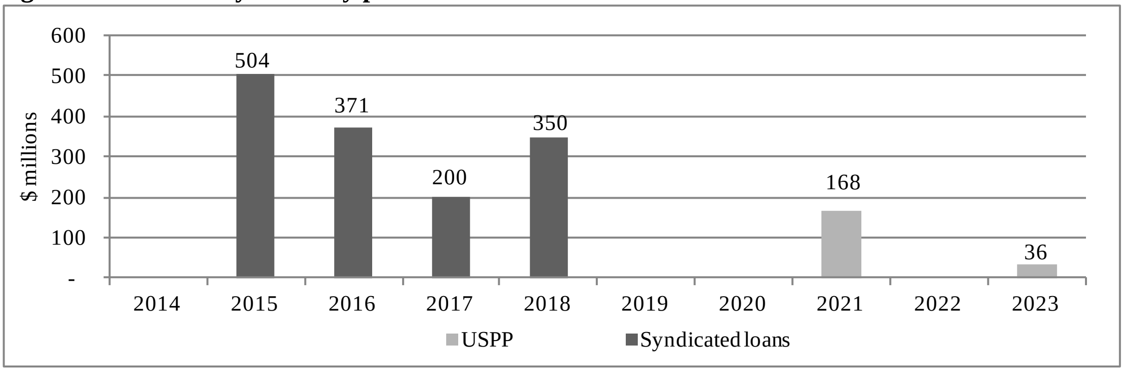
Details of the committed financing facilities available and debt maturity profile of Australand as at 31 December 2013 are set out in the figures below.

Table 11: Financing facilities

$ million	Total facilities	Amount drawn	Available facility	Maturity	Security
2011 Facility Agreement - Tranche 2015	304.0	304.0	-	Jan-15	Unsecured
2011 Facility Agreement - Tranche 2016	371.0	371.0	-	Sep-16	Unsecured
2012 Facility Agreement - Tranche C	200.0	-	200.0	Sep-15	Unsecured
2012 Facility Agreement - Tranche D	200.0	-	200.0	May-17	Unsecured
2012 Facility Agreement - Tranche B	350.0	210.0	140.0	Jul-18	Unsecured
US private placement[1]	168.0	168.0	-	May-21	Unsecured
US private placement[1]	36.0	36.0	-	May-23	Unsecured
Secured borrowings (joint ventures)	167.8	59.0	108.8	Various	Secured
Interest bearing liabilities	**1,796.8**	**1,148.0**	**648.8**		

Source: Australand Results Briefing for the full year ended 31 December 2013
Note 1: The drawn and facility limits associated with the US private placement include fair value adjustment of $41.4 million

Figure 9: Debt facility maturity profile as at 31 December 2013



Source: Australand Results Briefing for the full year ended 31 December 2013

In relation to the interest bearing liabilities, we note the following:

- at 31 December 2013, Australand had total unsecured debt facilities available of $1,629 million, comprising $1,425 million of syndicated bank loans and $204 million of US private placements. Total facilities drawn for syndicated bank loans and US private placements was $885 million and $204 million respectively
- at 31 December 2013, Australand's weighted average cost of debt decreased to 7.5%, with the weighted average debt maturity of 3.2 years remaining consistent with FY12
- in February 2014, Australand extended its Tranche B syndicated bank loan, with a total facility of $350 million, of which $210 million was drawn, from its initial maturity date in July 2014 to July 2018 at a more favourable cost of debt
- approximately 54% of Australand's total unsecured debt portfolio is expected to mature by 2017.

Details of the financial covenants relating to the debt portfolio are set out below, together with Australand's actual performance with respect to each of these covenants.

Table 12: Financial covenants

Financial covenant	Covenant	31-Dec-11	31-Dec-12	31-Dec-13
Interest cover ratio (cash basis)	greater than 2.0x	2.9x	2.6x	2.8x
Investment property interest cover ratio	greater than 1.3x	2.0x	1.8x	1.9x
Covenant gearing (look-through)	less than 55%	43.2%	42.6%	38.4%
Covenant gearing (contingent liabilities)	less than 55%	44.7%	44.7%	41.5%
Priority debt	less than 7.5%	0.2%	0.3%	0.1%
Tangible net worth	greater than $1.7 billion	$2.2 billion	$2.3 billion	$2.3 billion

Source: Australand Full Year Results Briefing for the years ended 31 December 2011, 2012 and 2013

Both the financial performance and position of Australand has consistently been within the financial covenant thresholds.

The 2011 and 2012 facilities and the USPP contain clauses in relation to the consequences subsequent to an event of default. An event constituting a default includes a delisting or extended suspension of trading of the Stapled Securities. A change of control of Australand would constitute a review event.

Under the 2011 and 2012 Facility Agreements, in an event that a review event or default were to occur without the prior consent of the relevant financiers (amongst other things):

- in the case of a review event, the relevant financiers would have the ability to change the terms or conditions of the loans
- in either case, the amounts owing to the financiers under the facilities could be declared due and payable.

Australand has obtained from the relevant financiers under these Facility Agreements a waiver of the review and default events which may occur as a consequence of the Offer.

For the USPP facilities, under a change of control, Australand would be required to make an offer to USPP note holders to prepay the notes. In a delisting or suspension of trading event, note holders could accelerate payment of notes by declaring them immediately due and payable. Upon any such acceleration, the principal amount of the notes, accrued interest and a make-whole amount (an amount equal to the discounted value of the remaining scheduled payments) become immediately payable.

7.7.2 ASSETS

In September 2005, Australand issued $275 million Australand Subordinated Step-up Exchangeable Trust Securities (ASSETS), at a $100 face value. This was undertaken in order to raise capital to fund the merger of Australand (which at the time comprised AHL and APT) with APT4 and APT5.

ASSETS are perpetual, non-cumulative, redeemable or exchangeable securities which pay distributions quarterly at the three month bank bill rate plus a margin of 4.8%. The issue was completed through the special purpose trust, Australand ASSETS Trust, which forms part of Australand's group structure, and has Australand Property Limited as responsible entity. ASSETS are quoted on the ASX and may be freely traded or exchanged.

The distributions paid on the ASSETS are reflected in the income statement as a non-controlling interest expense. ASSETS can be redeemed by Australand in certain circumstances including a change of control event, such as under the Offer. They can be converted by the issuer to Stapled Securities in certain circumstances.

The holders of the ASSETS have the benefit of a direct, unsecured and subordinated guarantee from Australand that ranks ahead of Australand Securityholders but behind senior creditors for all amounts which are due and payable.

Following a change in control event, ASSETS may be redeemed or exchanged at the discretion of Australand.

7.8 Distributions

Australand pays half-yearly distributions to Securityholders. Distributions for the periods ending 30 June and 31 December are paid in August and February respectively. Australand's target payout ratio is between 80% and 90% of operating earnings.

Distributions paid by Australand in relation to the years ended 31 December 2011, 2012 and 2013, are set out in the table below.

Table 13: Distributions

Period ended	31-Dec-11 12 months	31-Dec-12 12 months	31-Dec-13 12 months
Weighted average number of Stapled Securities entitled to distributions (million units)	576.8	576.8	578.1
Operating earnings ($ millions)	135.4	142.1	147.9
Operating earnings per Stapled Security (cents)	23.5	24.6	25.6
Distributions for the period ($ millions)	124.0	124.0	124.3
Distibutions per Stapled Security (cents)	21.5	21.5	21.5
Payout ratio[1]	91.6%	87.3%	84.0%

Source: Australand Annual Report Briefings for years ended 31 December 2012 and 2013
Note 1: Payout ratio was calculated as distributions per Stapled Security divided by operating earnings per Stapled Security

Australand has announced that the distribution for the half year ended 30 June 2014 will be 12.75 cents per Stapled Security and provided guidance indicating that the full year FY14 distribution will be approximately 25.5 cents per Stapled Security.

Australand's franking credit balance as at 31 December 2013 was $58.5 million.

7.9 Capital structure

7.9.1 General

As at 30 June 2014, Australand had the following securities on issue:

- 578,984,528 Stapled Securities
- 2,750,000 ASSETS perpetual instruments
- 4,931,490 Australand Performance Rights convertible to Stapled Securities in accordance with the terms of the Australand Performance Rights.

The total number of Stapled Securities on a fully diluted basis is 581,770,851 which includes 578,984,528 Stapled Securities and 2,786,323[11] net new Stapled Securities that will be issued for Australand Performance Rights that will vest if the Offer becomes unconditional (assuming this occurs on 31 July 2014). Further information on the Australand Performance Rights is detailed in Section 7.9.3 of this report.

7.9.2 Stapled Securityholders

The following table sets out the substantial Stapled Securityholders of Stapled Securities as at 30 June 2014.

Table 14: Substantial Australand Securityholders as at 30 June 2014

	Securities	issued capital
Stockland Corporation Limited	90,900,000	15.72%
Mitsubishi UFJ Financial Group. Inc.	52,894,156	9.15%
AMP Limited	46,945,805	8.12%
UBS AG	39,394,919	6.81%
Morgan Stanley	38,340,555	6.63%
Deutsche Bank AG	30,116,414	5.21%
Total shares held by substantial shareholders	**298,591,849**	**51.63%**
Other shareholders	280,392,679	48.48%
Total shares on issue	**578,984,528**	**100.00%**

Source: ASX announcements

In relation to the substantial Australand Securityholders, we note:

- the top six registered Australand Securityholders account for approximately 55.8% of Australand issued securities
- Stockland's total interest in Australand is 19.9% (115,166,597 Stapled Securities) through direct and indirect interests amounting to 15.7% and 4.2% respectively.

[11] 3,096,111 Stapled Securities issued to the Performance Right holders less 309,788 Stapled Securities held in Australand Performance Rights Plan Trust

7.9.3 Performance Rights Plan

As part of the Australand Executive Remuneration Framework, remuneration for Australand's Executives, including the Managing Director and Key Management Personnel, is linked to performance through the short term incentive (STI) and long term incentive (LTI) plans. The structure of the remuneration framework is to align executives' remuneration with the achievement of certain targets and Australand's strategic goals. Performance is assessed over one year for the STI and over three years for the LTI measurements.

Outlined in the table below is an overview of the performance rights for the Australand Managing Director and Key Management Personnel as at 31 December 2013.

Table 15: Performance rights at 31 December 2013

Name	Balance at start of the year	Granted during the year	Exercised	Lapsed	Other changes	Balance at end of the year	Vested and exercisable[1]	Unvested
Bob Johnston	1,461,607	410,382	(231,320)	(259,700)	-	1,380,969	562,587	818,382
Kieran Pryke	346,260	143,284	(80,980)	(88,410)	-	320,154	37,970	282,184
Rod Fehring	355,360	145,904	(80,980)	(91,420)	-	328,864	39,260	289,604
Sean McMahon	515,949	145,789	(83,870)	(91,420)	-	486,448	196,979	289,469

Source: Australand Annual Report for the year ended 31 December 2013
Note 1: Includes performance rights which have vested into Stapled Securities that have not been released

In the event that the Offer becomes unconditional and Frasers acquires an interest greater than 50% of the Stapled Securities:

- certain Australand Performance Rights will vest pro-rated for the period on which the Australand Performance Rights were on issue to the Offer becoming unconditional bears to the total three year performance period
- all other Australand Performance Rights will lapse.

Australand currently has 4,931,490 Australand Performance Rights on issue. Of this amount, if for example vesting is triggered by the Offer becoming unconditional on 31 July 2014, approximately 3,096,111 will vest and Stapled Securities issued in accordance with the Australand Performance Rights Memorandum. Of the issued Stapled Securities, 309,788, are already held in the Australand Performance Rights Plan Trust to satisfy these arrangements.

7.9.4 Directors' interests

As at 31 December 2013, the directors of Australand held the following securities (directly or indirectly).

Table 16: Director's relevant interests at 31 December 2013

Name	Position	Balance at the start of the year	Received during the year	Changes during the year	Balance at the end of the year
Paul Isherwood	Chairman	120,000	-	-	120,000
Bob Johnston	Managing Director	76,000	231,320	-	307,320
Nancy Milne	Non-executive Director	12,014	-	-	12,014
Beth Laughton	Non-executive Director	-	-	5,000	5,000
Total holdings of Australand stapled securities		**208,014**	**231,320**	**5,000**	**444,334**

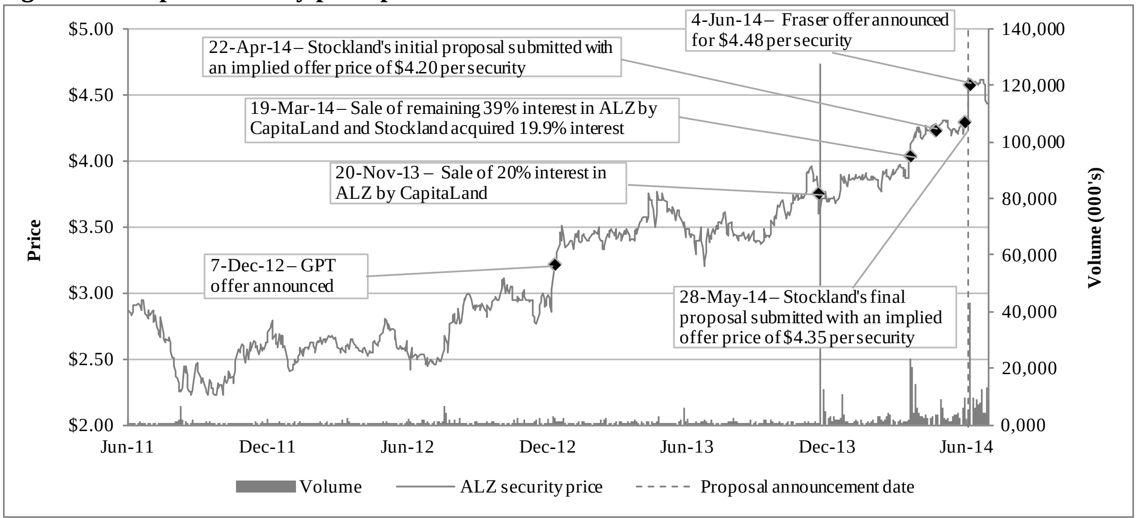
Source: Australand Annual Report for the year ended 31 December 2013

7.10 Security price performance

7.10.1 Recent security market trading

The trading price and volume of Stapled Securities from 3 June 2011 to 30 June 2014 is set out below.

Figure 10: Stapled Security price performance



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

During the three years to 30 June 2014, the trading price of the Stapled Securities ranged between a low of $2.22 in September 2011 and a high of $4.61 in June 2014. Between June and August 2011, the price of the Stapled Securities declined by approximately 24%, however the decline was consistent with the A-REIT Index during this period. From June 2011, the Stapled Security price has increased significantly as a result of consistent earnings growth delivered in line with guidance, a number of successful property sales and significant corporate activity over the period. Below is an overview of the significant events which have influenced the trading price of the Stapled Securities since late 2012:

- on 7 December 2012, Australand received an unsolicited offer from GPT Group for the acquisition of its investment property portfolio and Commercial & Industrial business, with an offer price which represented a $140 million premium to the net asset value at 30 June 2012. The Australand Board rejected the proposal on the basis that the premium was insufficient to compensate Australand for the associated transaction costs, structural inefficiencies and risks involved with the implementation of the proposal
- on 10 January 2013, CapitaLand Limited (CapitaLand), which at the time was Australand's major shareholder, announced it would be undertaking a strategic review of its investment in Australand. As an outcome of the review, CapitaLand decided to sell down its 59% investment in Australand in two tranches, being a 20% sale through an overnight underwritten accelerated bookbuild process on 20 November 2013 at an average price $3.685 per Security and the remaining 39% being sold on 19 March 2014 at an average price of $3.75 per Security. Partially offsetting the disposal by CapitaLand on 19 March 2014, Stockland acquired 19.9% interest in Australand at an average price of $3.78 per Security
- on 22 April 2014, Stockland provided Australand with an initial proposal to merge with Stockland. At the time of the proposal, the implied consideration of this initial proposal (at a merger ratio of 1.111 Stockland securities for every Stapled Security) was $4.20 per Security. The proposal was rejected by the Australand Board on 23 April 2014.
- on 28 May 2014, Stockland provided Australand with an improved final non-binding indicative proposal. The implied consideration of this proposal (at a merger ratio of 1.124 Stockland securities for every Stapled Security) was $4.35 per Security at the time the proposal was made. On 30 May 2014, Australand determined to provide Stockland with access to due diligence material subject to appropriate confidentiality arrangements being agreed and to negotiate access to reciprocal due diligence in order to form a view on the merits of the proposal
- on 4 June 2014 Frasers announced a conditional proposal to acquire all Stapled Securities via an off-market takeover offer of $4.48 in cash per Security (the Offer) having entered into a Process Agreement with Australand and Australand having ceased progressing the Stockland proposal. Stockland's conditional proposal has not been formally withdrawn, but no further revisions have been provided to Australand to-date
- on the day prior to the announcement of the Offer, Australand's Security price closed at $4.31. During the weeks subsequent to the Frasers announcement, Australand's Security price increased to a close price of $4.61 on 20 June 2014.

7.10.2 Liquidity

Given the amount of corporate activity influencing the trading of the Stapled Securities, the liquidity analysis has been performed for the period prior to the initial Stockland strategic acquisition of 19.9% interest in Australand on 19 March 2014. An analysis of the volume of trading in the Stapled Securities, including the VWAP for the period to 19 March 2014, is set out below.

Table 17: Volume of trading in the Stapled Securities prior to 19 March 2014

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $ millions	Cumulative volume millions	% of issued capital
1 day	3.88	3.95	3.89	5.0	1.3	0.2
1 week	3.85	3.98	3.89	26.4	6.8	1.2
1 month	3.84	3.99	3.91	127.5	32.6	5.6
3 months	3.70	4.00	3.88	372.9	96.1	16.6
6 months	3.47	4.02	3.75	1,162.6	310.2	53.6

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

In relation to the above, we note that during the six month period prior to 19 March 2014, 53.6% of issued securities were traded. This indicates that under normal market conditions, the trading price of the Stapled Securities is unlikely to be materially impacted by the level of liquidity.

7.10.3 Relative security price performance

The performance of the Stapled Securities during the three years to 30 June 2014, relative to the A-REIT Index (rebased to 100) is illustrated below.

Figure 11: Relative security price performance

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

Australand is the tenth largest listed entity within the A-REIT Index, representing 3% of the A-REIT Index in terms of market capitalisation.

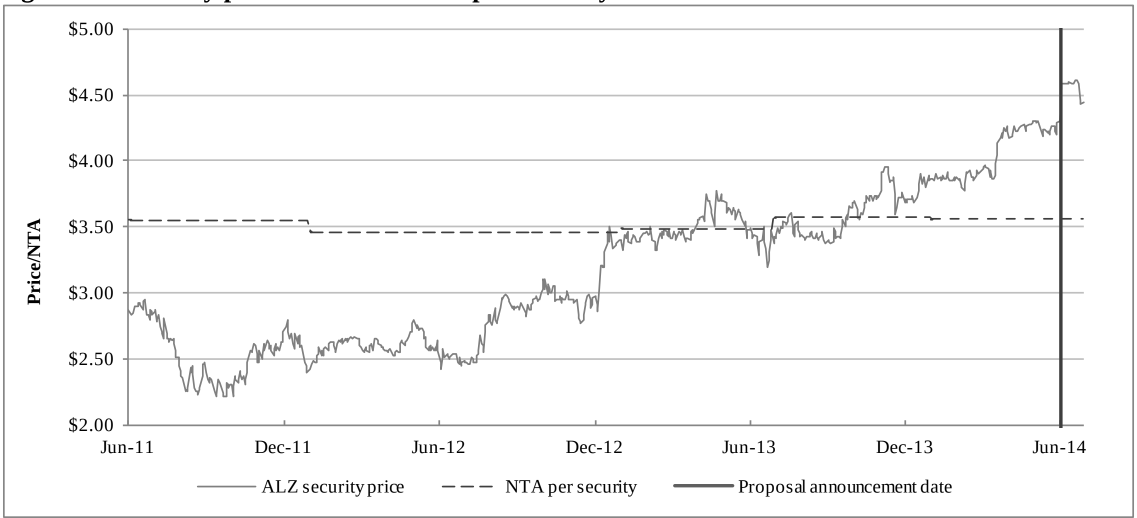
The performance of the Stapled Securities has been reasonably consistent with the A-REIT Index from December 2011 to December 2013. During this period, the A-REIT Index experienced a strong period of growth between, driven by a number of domestic macroeconomic factors, including a reduction in interest rates and an improving outlook in the residential property market.

Since December 2013, Australand has significantly outperformed the A-REIT Index with the Stapled Securities increasing during this period by approximately 20%, in comparison to an increase in the A-REIT index of approximately 9%. This has been driven to an extent by the corporate activity which has surrounded Australand over the past two years and recent improvements in the residential sector.

7.10.4 Security price relative to NTA

The price of the Stapled Securities relative to the NTA per Stapled Security is illustrated below.

Figure 12: Security price relative to NTA per Security



Source: S&P Capital IQ; Australand Annual Reports for years ended 31 December 2011, 2012 and 2013; KPMG Corporate Finance analysis

Between June 2011 and December 2012, the Stapled Securities traded at a discount to NTA. Following this period, Australand traded consistently at or around NTA.

From October 2013, the Stapled Securities traded above NTA at an increasing rate. The average premium (based on six month VWAP) to NTA during the six months prior to the announcement of the Offer was 14.4%. The premium to NTA on 3 June 2014, being the day prior to the announcement, was 21.1%. While difficult to quantify, reasons for the premium may include:

- the positive outlook in the Australian residential market, particularly in Sydney and Melbourne
- potential capitalisation rate compression which had not yet been reflected in NTA in the industrial and office sectors
- improving active returns of Australand’s residential business, gained from pre-sales and visibility on new releases

- value attributable to Australand's development and management income which is not captured in NTA
- the significant corporate activity over the past two years.

7.10.5 Strategy

Australand's underlying strategic objective is to deliver top quartile ROE performance on a consistent basis when compared against the constituents of the A-REIT Index. The key strategies employed to achieve this objective include:

- **Capital allocation**

  During recent years, Australand has gradually shifted its capital allocation between its property investment activities and development activities towards its targeted allocation of 70% and 30% respectively.

  The increased weighting to passive assets has resulted in a more stable earnings profile and greater comparability with other diversified A-REITs.

- **Capital recycling and efficiency**

  Australand's current development portfolio includes a number of projects which are generating sub-optimal returns. Australand's strategy involves recycling of capital from these projects into opportunities with higher expected returns.

  Australand aims to structure its development projects in a capital efficient manner through the use of deferred settlements and capital partnering arrangements. Increased capital efficiency improves the returns which Australand is able to achieve on these projects.

- **Capital structure**

  Australand's capital management strategy includes maintaining:

  - gearing within a target range of 25-35%, which is broadly consistent with the A-REIT sector
  - access to undrawn facilities to provide flexibility for the funding of its development pipeline and to take advantage of opportunities as they emerge
  - a debt maturity profile with an average maturity exceeding two years, with total maturing debt in any one year not exceeding 25% of total debt.

7.10.6 Outlook

On 30 May 2014, Australand released earnings guidance in relation to its earnings for 2014, 2015 and 2016, which included the following statements:

- Australand had completed a further review of its operating earnings outlook for the full year 2014 and advised that EPS for 2014 was now expected to increase by 20% to 25% on 2013. This compared favourably to Australand's prior guidance of 17% to 20% growth announce on 25 March 2014
- In addition, assuming the current strength in the residential market is maintained, Australand expects to deliver 10 % to 15% per annum growth in EPS to the end of calendar year 2016
- Australand continues to expect to distribute 25.5 cents per Stapled Security for the full year 2014 with the first half distribution expected to be 12.75 cents per security.

8 Valuation of Australand

8.1 Summary

We have assessed the value of Australand as at 30 June 2014 (the Valuation Date) to be in the range of $2,455.3 million to $2,640.1 million, which corresponds to a value of $4.22 to $4.54 per Stapled Security on a fully diluted basis.

In determining the value of Australand, KPMG Corporate Finance has applied a sum-of-the-parts (SOTP) approach whereby each of Australand's divisions are individually valued using an appropriate valuation methodology. We have then capitalised an estimate of the ongoing annual overhead costs to be incurred by Australand and subtracted this amount from the total value of the divisions.

Our valuation assumes 100% ownership of Australand and therefore incorporates a premium for control. This premium represents the value attributable to the benefits associated with control, as well as the synergies which are generally available to potential purchasers, but does not include strategic or operational benefits unique to Frasers. Given the inclusion of a premium for control, we would expect the valuation to be in excess of the value of Australand implied by its trading price in the absence of a takeover offer.

The valuation range of each component within our SOTP valuation of Australand is summarised below.

Table 18: Valuation summary

	Section reference	Value range ($m)	
		Low	High
Investment Property division	8.3	2,531.1	2,531.1
Development Divisions	8.4	1,470.0	1,610.0
Corporate overheads	8.5	(238.0)	(210.0)
Enterprise value		**3,763.1**	**3,931.1**
Less: Net debt	8.6	(1,239.8)	(1,239.8)
Less: Provision for distributions	8.7	(78.9)	(78.9)
Add: Deferred tax assets	8.8	30.2	30.2
Add: Other assets and liabilities	8.9	7.5	7.5
Equity value		**2,482.0**	**2,650.0**
Premium for control	8.10	248.2	265.0
Equity value (controlling interest basis)		**2,730.3**	**2,915.1**
Less: ASSETS hybrid	8.11	(275.0)	(275.0)
Equity value attributable to Australand Securityholders		**2,455.3**	**2,640.1**
Fully diluted Stapled Securities on issue (million)[1]	7.9.1	581.8	581.8
Value per Stapled Security		**4.22**	**4.54**

Source: KPMG Corporate Finance analysis
Note 1: The fully diluted number of Stapled Securities on issue is based on the assumption that the Offer becomes unconditional on 31 July 2014

The value per Stapled Security is based on the assumption that the Offer becomes unconditional on 31 July 2014, resulting in 2,784,647 Performance Rights vesting. We note that should the Offer become unconditional on a different date, the number of Performance Rights that will vest may also differ, however, this will not materially impact the assessed value.

The approach that we have undertaken in arriving at the value range set out above is described in the following sections of this report.

8.2 Valuation methodology

8.2.1 Overview

Our valuation of Australand has been prepared on the basis of 'market value'. The generally accepted definition of market value (and that which we have applied in forming our opinion) is the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic benefits from the acquisition, may be prepared to pay.

In selecting an appropriate valuation methodology, KPMG Corporate Finance has considered the methodologies outlined in RG 111, as well as generally accepted valuation methodologies, including:

- capitalisation of maintainable earnings (Capitalised Earnings)
- discounted cash flow (DCF)
- net realisable assets (Net Assets).

These methodologies are discussed in greater detail in Appendix 3. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the methodology which supports the highest value achievable in an open market. A secondary methodology is typically adopted as a cross-check to confirm the reasonableness of primary valuation, with the valuation outcome ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect "going concern" values which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any.

8.2.2 Selection of methodology

As previously noted, we have adopted a SOTP approach in valuing Australand. On this basis, the value attributable to Australand Securityholders is the aggregate of the market value of Australand's Investment Property division and the Development Divisions, with adjustments for the capitalised value of corporate overhead costs, other assets and liabilities and net debt, and the addition of a premium for control.

The valuation methodologies adopted for each component in our SOTP valuation of Australand are as follows:

- the Investment Property division has been valued on a Net Assets basis. We consider this to be appropriate given that the underlying property assets are carried at market values which are based on independent valuations conducted by third party valuers

- the Development Divisions have been valued by applying a Capitalised Earnings approach. This was based on the following considerations:
  - the Capitalised Earnings approach is a commonly used method for the valuation of operating businesses, especially those with a long operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. In this regard, we note that there is sufficient market evidence available from which a meaningful earnings multiple can be derived. In particular, we note that there are a number of comparable companies that are engaged in similar activities and operate within similar markets as these divisions
  - the DCF approach is also widely used in the valuation of established businesses. We note, however, there is inherent uncertainty associated with the project-driven nature of the Development Divisions, which means that preparing reliable cash flow projections beyond current projects is challenging. This may reduce the robustness of any results derived from a DCF analysis. Whilst we have not utilised a DCF approach as our primary valuation approach, we have considered management's long term forecasts in forming our fairness assessment
  - the Net Assets approach is not considered appropriate as this method does not capture the growth potential and goodwill associated with the business.
- corporate overhead costs have been valued using a Capitalised Earnings approach
- net debt and provisions for distributions, as well as values attributable to deferred tax assets and the net value of other assets and liabilities of the corporate segment, have been included based on their balance sheet values
- the premium for control reflects a combination of factors, including the value of the benefits associated with control, as well as synergies which are generally available to potential purchasers based on our judgement, but does not include strategic or operational benefits unique to Frasers.

In addition to using the above methodologies, KPMG Corporate Finance has also completed a number of cross-checks by reference to:

- analysing the recent trading history of the Stapled Securities
- comparing the earnings multiples implied by the valuation with those of comparable listed A-REITs
- comparing the premium to NTA implied by the valuation with those of comparable listed A-REITs.

8.3 Valuation of the Investment Property division

The Net Assets methodology requires a valuer to determine the fair value of the assets and liabilities, excluding any realisation costs, at the Valuation Date.

In this regard, we have determined the value of the Investment Property division with reference to its underlying net assets, with the total being largely dependent upon the value of the investment properties.

To estimate the value of assets and liabilities at the Valuation Date, KPMG Corporate Finance has relied on the estimated financial position of the Investment Property division at 30 June 2014.

Table 19: Summarised financial position

As at $ million	Section reference	30-Jun-14
Investment properties	8.3.1	2,403.7
Investment properties held for sale	8.3.2	65.0
Investment properties under construction	8.3.3	12.7
Investments in associates and joint ventures	8.3.4	80.4
Other assets	8.3.5	7.4
Total assets[1]		**2,569.2**
Other liabilities	8.3.6	38.1
Total liabilities[2]		**38.1**
Net assets		**2,531.1**

Source: Australand management estimates for 30 June 2014
Note 1: Total assets excludes cash and derivative financial instrument assets which have been included in net debt
Note 2: Total liabilities excludes interest bearing liabilities which have been included in net debt and excludes the provision for distribution which has been adjusted separately

8.3.1 Investment properties

The net asset value of the Investment Property division is largely dependent on the value of the underlying investment properties. The investment properties are carried on the balance sheet at fair value (which equates to market value), based on the Directors' assessment. This assessment takes into account the latest independent valuations, which are generally prepared annually, and consider several factors, such as projected rental and vacancy rates, property operating expenses, capital expenditure and interest rates, changes in tenants, changes in competitors, changes in operating costs and any significant adverse changes in legal factors or business climate. In determining the fair value, property valuers typically use a number of methodologies, including the capitalisation of net income method, the discounted cash flow method and direct comparison to determine individual property values.

Based on management estimates as at 30 June 2014, the property portfolio was valued at $2.4 billion. Set out in the table below is a summary of the WACR for the portfolio and portfolio value at 30 June 2014.

Table 20: Australand's historical portfolio values and WACR

	31-Dec-11	31-Dec-12	31-Dec-13	30-Jun-14[1]
Portfolio value ($ million)	2,165.1	2,286.0	2,388.0	2,403.7
WACR (%)	8.34%	8.09%	7.98%	7.71%

Source: Australand Full Year Briefing for the years ended 31 December 2012 and 2013; Australand management estimates for 30 June 2014
Note 1: The portfolio value and WACR is based on management estimates as at 30 June 2014

KPMG Corporate Finance has relied on the Directors' assessment of fair value and the independent valuations conducted by third party valuers for the purposes of this report, and did not undertake its own valuations of the properties. KPMG Corporate Finance has undertaken a review of a sample of the independent valuations, including those relating to the properties set out below.

Table 21: Independent valuation reports reviewed

Property	Valuer	Interest held (%)	Value of interest ($ million)	Percentage of portfolio (%)
357 Collins Street, Melbourne VIC	Colliers	100%	206.0	8.6%
2 Southbank Boulevard, Southbank VIC	Knight Frank	50%	205.0	8.5%
63-99 Sandstone Place, Parkinson QLD	Savills	100%	184.0	7.7%
28 Southbank Boulevard, Southbank VIC	m3 Property Strategists	50%	123.0	5.1%
1D Hombush Bay Drive, Rhodes NSW	Urbis	100%	98.0	4.1%
1F Hombush Bay Drive, Rhodes NSW	Urbis	100%	95.2	4.0%
80 Hartley Road, Smeaton Grange NSW	Knight Frank	100%	61.3	2.5%

Source: Independent valuation reports

Based on a review of these reports, we conclude that:

- the property valuers were independent of Australand
- the engagement instructions were appropriate and did not limit the scope of the valuations
- the property valuations were completed by reputable valuation companies and by valuers who have the appropriate qualifications in accordance with the standards of the Australian Property Institute
- the valuation methods used appear to be consistent with those generally applied in the industry, with the valuation conclusions selected having regard to the results of each methodology.

We note our review does not imply that the valuations have been subject to any form of audit or due diligence.

In addition, we note that the valuations:

- assume that the properties are sold on an individual basis (and not sold in one line)
- are prepared in accordance with normal property valuation methodologies.

On this basis, KPMG Corporate Finance considers the valuations of the investment properties are not unreasonable and are appropriate for use in a Net Assets approach.

Weighted average capitalisation rate

In addition to reviewing the valuation reports, KPMG Corporate Finance has also compared the estimated WACR of the Australand portfolio as at 30 June 2014 with the WACR of the Australian property portfolios of other listed A-REITs at 31 December 2013, as set out in the table below.

Table 22: Key metrics of industrial property portfolios of listed A-REITs

	WACR (%)	WALE (years)	Occupancy (%)	No. of properties[1]	Valuation ($ million)
Industrial portfolios					
Australand	8.4%	5.8	96.1%	51	1,197.1
Abacus Property Group	9.1%	3.8	95.5%	20	189.0
BWP Trust	7.7%	7.0	99.3%	79	1,597.5
Charter Hall Group	8.2%	8.5	98.7%	49	1,600.0
DEXUS Property Group	8.4%	4.1	94.2%	n/a	1,597.0
Goodman Group	7.8%	3.2	94.0%	38	2,200.0
GPT Group	8.3%	5.1	96.2%	30	1,172.2
Mirvac Group	7.8%	9.3	99.5%	13	460.5
Stockland	8.6%	3.7	89.7%	14	916.0
Mean (excluding Australand)	**8.2%**	**5.6**	**95.9%**		

Source: Australand Full Year Briefing for the year ended 31 December 2013; Publicly available information regarding each A-REIT
Note 1: Number of properties includes properties that are less than 100 percent owned

Table 23: Key metrics of office property portfolios of listed A-REITs

	WACR (%)	WALE (years)	Occupancy (%)	No. of properties[1]	Valuation ($ million)
Office portfolios					
Australand	7.5%	4.8	93.6%	17	1,190.8
Abacus Property Group	8.3%	3.6	92.6%	17	368.0
Charter Hall Group	7.6%	4.9	96.1%	53	6,100.0
Cromwell Property Group	8.3%	6.2	96.0%	28	2,300.0
DEXUS Property Group	7.1%	5.1	94.6%	n/a	5,821.0
GPT Group	6.7%	5.8	90.6%	20	2,900.0
Investa Office Fund	7.5%	5.0	96.0%	21	2,604.6
Mirvac Group	7.4%	5.0	96.1%	35	4,632.5
Stockland	7.9%	5.3	91.3%	15	1,518.7
Mean (excluding Australand)	**7.6%**	**5.1**	**94.2%**		

Source: Australand Full Year Briefing for the year ended 31 December 2013; Publicly available information regarding each A-REIT
Note 1: Number of properties includes properties that are less than 100 percent owned

In relation to the table above, we note that the key metrics of Australand's industrial and office portfolios are reasonably consistent with those of comparable portfolios. This serves as a cross-check which suggests that the WACR applied in the valuations of Australand's property portfolios are reasonable.

8.3.2 Investment properties held for sale

Investment properties held for sale as at 30 June 2014 amounted to $65 million. This balance relates to the disposal of Australand's 50% interest in Civic Tower, Sydney. The transaction is expected to settle during July 2014. This balance is carried at the transaction value and we have adopted this value for the purposes of our valuation.

8.3.3 Investment properties under construction

Investment properties under construction as at 30 June 2014 amounted to $12.7 million. This fair value reflects the construction costs incurred after allowing for the remaining expected costs of completion, plus an appropriate risk adjusted development margin. We have adopted the carrying value of these assets for the purposes of our valuation.

8.3.4 Investments in associates and joint ventures

Investments in associates and joint ventures as at 30 June 2014 amounted to $80.4 million. This relates to the 19.9% interest held by the Investment Property division in Australand Logistics JV, and is carried at market value based on independent valuations of the underlying property assets at 31 March 2014. We have adopted the carrying value for the purposes of our valuation.

8.3.5 Other assets

Other assets primarily comprise trade and other receivables and prepayments. These assets have been recorded at fair value and we have adopted these values for the purposes of our valuation.

8.3.6 Other liabilities

Other liabilities comprise trade and other payables and provisions. These liabilities have been recorded at fair value and we have adopted these values for the purposes of our valuation.

8.4 Valuation of the Development Divisions

As summarised in the table below, KPMG Corporate Finance has determined the enterprise value of Australand's Development Divisions to be in the range of $1,470.0 million to $1,610.0 million.

Table 24: Value of the Development Divisions

	Section reference	Value range ($m) Low	High
Maintainable earnings (EBIT)	8.4.1	140.0	140.0
EBIT multiple	8.4.2	10.5x	11.5x
Enterprise value of Development Divisions		**1,470.0**	**1,610.0**

Source: KPMG Corporate Finance analysis

The valuation of the Development Divisions was determined using a Capitalised Earnings approach, based on a maintainable EBIT of $140 million and a capitalisation multiple of 10.5 times to 11.5 times. The basis for these assumptions is discussed in the sections below.

8.4.1 Maintainable earnings

The Capitalised Earnings approach involves estimating the sustainable level of future earnings of a business (Maintainable Earnings). In considering the Development Divisions, we have considered a number of factors including whether the historical performance of the businesses reflects the sustainable level of future earnings.

We have adopted EBIT as the earnings base for assessing the Maintainable Earnings of the Development Divisions. We consider EBIT to be the appropriate earnings base in this case for the following reasons:

- Australand reports the operating performance of these divisions based on EBIT. Therefore, the metric is consistent with the way in which management assesses the performance of these divisions
- the depreciation charges incurred in property development businesses are typically not significant and are consistent across the industry
- the debt carried by Australand cannot be reliably allocated to the Development Divisions as the level and cost of debt is linked to the Investment Property division. As such, we consider that a price to earnings (P/E) approach is not appropriate.

In making our assessment of the Maintainable Earnings of the Development Divisions, we have given consideration to historical and forecast financial performance. Set out below is a summary of the financial performance of the Development Divisions for the three years ending 31 December 2013.

Table 25: Financial performance of the Development Divisions

For the period ending $ million	31-Dec-11 12 months	31-Dec-12 12 months	31-Dec-13 12 months
Commercial & Industrial	29.1	24.2	30.2
Commercial & Industrial - Revaluation on internal development	21.9	16.0	4.9
Total Commercial & Industrial	**51.0**	**40.2**	**35.1**
Residential	76.1	93.2	89.5
EBIT	**127.1**	**133.4**	**124.7**

Source: Australand Full Year Results Briefing for the years ended 31 December 2011, 2012 and 2013

In relation to the financial performance of the Development Divisions set out above, we note the following:

- whilst total EBIT has been relatively stable, ranging between $124.7 million and $133.4 million during these years, the composition of EBIT by division has shifted. Decreases in EBIT from the Commercial & Industrial division have been offset, to an extent, by an increase in EBIT from the Residential division. This shift is consistent with the reduction in capital allocated to the Commercial & Industrial division
- as mentioned in Section 7.3 of this report, properties developed by the Commercial & Industrial division are either sold to third parties (with profit recognised in EBIT) or transferred internally to the portfolio of the Investment Property division (with revaluation uplifts recognised as a fair value adjustment). Whilst revaluation uplifts on internally transferred properties do not represent cash flow generated by the division, these uplifts approximate the EBIT that could be generated had these properties been sold to third parties. We therefore consider it appropriate to include both of these components in assessing the value contributed to Australand by the Commercial & Industrial division
- the financial performance of the Residential division reflects the subdued industry conditions which prevailed during the period, and the below target ROACE being achieved due to a portion of the division's assets achieving suboptimal returns

- EBIT includes an allocation of corporate overhead costs. This allocation is based on management's assessment, and principally represents costs incurred at the corporate level which relate to the operations of these divisions. The value of corporate costs allocated to these divisions has remained broadly consistent during these years.

We have also considered the following in estimating the Maintainable Earnings of the Development Divisions:

- in May 2014, Australand issued upgraded earnings guidance stating that earnings per Stapled Security for FY14 is expected to increase by 20% to 25% on FY13. It was also stated that, assuming the current strength in the residential markets is maintained, the Group expects to deliver 10% to 15% per annum growth in earnings per security during FY15 and FY16. The FY14 guidance is attributed to the expected performance of the Residential division, which is also said to support the medium term outlook. Given the relatively consistent contribution to EPS growth by the Investment Property division and corporate overheads, the expected EPS growth in 2014, 2015 and 2016 is largely attributable to an increased contribution from the Development Divisions
- during recent years, Australand's development portfolio comprised a number of projects which generated sub-optimal returns. Whilst a portion of Australand's capital still remains allocated to these projects, improvements in market conditions, particularly in the residential sector, are expected to provide opportunities to improve the returns generated on these projects and to recycle the capital from these projects into opportunities with higher expected returns
- as at 30 June 2014, the value of contracts on hand was $760 million, with the proportion of this balance expected to settle in 2H14, FY15 and FY16 being 57%, 32% and 11% respectively. This provides a degree of certainty with regard to the revenue to be recognised during these periods
- during the short-to-medium term, a number of projects in the Residential division's pipeline are expected to generate higher ROACE than has been achieved on average during recent years
- the Residential division focuses on developing medium density properties with sale prices near prevailing median prices. This market segment is the deepest in terms of demand, and is therefore less volatile than other segments, providing a degree of underlying stability to the division's earnings
- the development pipeline of the Commercial & Industrial division generally provides visibility, in terms of specific projects, for a period of up to two years. EBIT contribution from this division has been assumed to be lower than was achieved during FY13, and then remain stable going forward.

Based on our consideration of the factors outlined above, we have assessed the Maintainable Earnings of the Development Divisions to be $140 million.

8.4.2 Capitalisation multiple

The multiple applied in a valuation based on the Capitalised Earnings approach should reflect the return expected by an investor in the business. Returns are dependent on various factors including a businesses' operational risks, growth profile, profitability, size, and external environment. The selected multiple should reflect these factors, amongst others.

In selecting the multiple range to be adopted, consideration is generally given to market evidence derived from listed comparable companies and recent transactions involving comparable businesses/assets, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

Sharemarket evidence

The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100 percent) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

In selecting a peer group which is comparable to Australand, and in particular, to its Development Divisions, we have assessed the comparability of listed A-REITs. The table below sets out the EBIT and P/E multiples of listed A-REITs.

Table 26: Sharemarket evidence

	Market capitalisation[1] ($ million)	Enterprise value[2] ($ million)	EBIT Multiple LTM[3]	EBIT Multiple NTM[4]	P/E Multiple LTM[3]	P/E Multiple NTM[4]
Diversified REITs						
Abacus Property Group	1,284.4	2,068.8	13.4	13.0	15.2	12.6
Charter Hall Group	1,482.4	1,507.8	22.2	17.6	27.5	16.3
DEXUS Property Group	6,030.8	8,367.0	18.5	13.6	12.2	13.5
GPT Group	6,472.2	8,566.6	17.6	14.8	11.3	14.6
Mirvac Group	6,590.7	9,277.3	18.7	15.5	19.9	14.7
Stockland	9,022.8	11,702.7	23.1	17.9	16.4	15.4
Industrial REITs						
BWP Trust	1,573.3	1,899.3	18.7	16.1	12.2	16.4
Goodman Group	8,724.8	10,794.5	21.6	16.0	nmf	14.0
Office REITs						
Cromwell Property Group	1,684.1	3,875.3	20.4	18.5	16.3	11.5
Investa Office Fund	2,087.9	2,658.5	15.2	13.4	13.0	13.3
Retail REITs						
CFS Retail Property Trust Group	6,156.8		18.1	15.5	17.3	15.0
Charter Hall Retail REIT	1,431.9	2,022.1	15.3	14.7	24.9	12.8
Federation Centres	3,554.8	4,981.7	15.0	15.9	16.7	14.2
Scentre Group	9,533.5	12,693.3	nmf	n/a	n/a	n/a
Shopping Centres Australasia Property Group	1,115.6	1,552.5	16.3	15.0	nmf	13.4
Westfield Corporation	14,816.4	28,006.1	nmf	n/a	n/a	17.1
Low			**13.4**	**13.0**	**11.3**	**11.5**
High (excluding outliers)[5]			**23.1**	**18.5**	**19.9**	**17.1**
Median (excluding outliers)[5]			**18.3**	**15.5**	**15.2**	**14.2**

Source: S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: LTM = last twelve months financial results for EBIT and NPAT at 30 June 2014
Note 2: NTM = next twelve months financial results for EBIT and NPAT at 30 June 2014
Note 3: nmf = not meaningful
Note 4: n/a = not available
Note 5: Figures shaded in grey are considered to be outliers

A detailed analysis of these A-REITs is set out in Appendix 4.

In assessing the comparability of the entities listed above, we have had regard to the following factors.

The A-REITs set out above provide a reasonable indication of trading multiples for Australand as a whole. These multiples, however, are not directly comparable to the Development Divisions, as they reflect the high proportion of earnings generated from passive investment income, whereas the income generated by the Development Divisions relates to active development activities.

The most closely comparable A-REITs in terms of sector exposure are Mirvac and Stockland, as both of these entities have exposure to residential development. With regard to these entities, we make the following observations:

- Mirvac is comparable to Australand in terms of its exposure to office, industrial and residential sectors. We note, however, that Mirvac generates a greater proportion of earnings from its passive investments, is exposed to retail property and is considerably larger than Australand in terms of market capitalisation
- Stockland is comparable to Australand in terms of its exposure to the office, industrial and residential sectors. We note, however, Stockland has a significantly larger market capitalisation than Australand and is also exposed to the retail and retirement living sectors. Stockland's investment property portfolio is over three times the size of Australand's, and has a greater weighting towards high grade retail properties and a portfolio WACR of 7.3%
- the remaining companies in the peer group are considered to be less comparable, but relevant to demonstrate the impact of size, service mix and sector exposure on earnings multiples.

We note that there are no pure play commercial and industrial developers and/or residential developers listed on the ASX which are of a similar scale to the Development Divisions. This makes it challenging to draw direct comparisons to trading multiples.

Transaction evidence

The price paid in transactions is typically considered to represent the market value of a controlling interest in an entity. The difference between the value of a controlling interest and a minority interest (as implied by the share price) is referred to as a premium for control.

Market evidence derived from transactions in the Australian property sector provides limited guidance as to an appropriate multiple for the Development Divisions, as over the period reviewed since 2009, none of the entities acquired had exposure to the residential sector. A detailed analysis of the transactions which we considered is set out in Appendix 4. With regard to these transactions, we make the following observations:

- Challenger Life Company Limited's acquisition of Challenger Diversified Property Group (Challenger Diversified) at a forecast EBIT multiple of 13.4 times. Challenger Diversified is a diversified REIT which had interests in office, retail and industrial properties, and also provided development services. Australand is significantly larger than Challenger Diversified, however, Challenger Diversified generated most of its income from passive investments. Given the relatively high weighting to passive investment income, we would expect that this transaction multiple would be greater than what would be applicable to the Development Divisions

- the acquisition of Commonwealth Property Office Fund (CPA) by DEXUS Property Group and the Canada Pension Plan Investment Board (CPPIB) was at a forecast EBIT multiple of 14.8 times. This transaction is the largest of the comparable transactions with CPA being similar to Australand in terms of market capitalisation. DEXUS Property Group and CPPIB, acquired 100% of CPA securities which would indicate that they may have included some degree of a premium for control. CPA is an office focussed investment fund, with income being generated from office property income and the office properties are predominantly prime or A-grade office properties with a portfolio WACR of 7.3%. Additionally, CPA's investment property portfolio is larger than Australand's, being approximately $3.5 billion. This transaction had an LTM EBIT multiple of 16.2 times, which we would expect to be at a premium to Australand as a whole due to the quality and value of office properties held and income being generated from passive investments
- the remaining transactions relate to targets which are considered to be less comparable, but are relevant in terms of outlining premiums or discounts to NTA generated from transactions in the Australian property market. We also note that transaction metrics are likely to be influenced by the prevailing market outlook and economic conditions at the time of the transaction.

Selected multiple range

The appropriate multiple to apply to the Development Divisions, is ultimately subjective in nature, and therefore we have exercised our skill and judgement. In selecting our multiple range we note the following:

- we consider it appropriate for the multiple range applied in valuing the Development Divisions to be lower than the trading multiples of listed A-REITs, as these trading multiples reflect the underlying blend of passive investment income and active development income of these entities. Passive investment income generally trades at a higher multiple than active income due to the relatively lower level of risk associated with this income
- Australand's investment property portfolio had an estimated WACR of 7.71% at 30 June 2014, implying a capitalisation multiple of approximately 13.0 times. We consider it appropriate for the multiple range applied in valuing the Development Divisions to be lower than this implied multiple.

Having regard to the analysis outlined above, we consider an EBIT multiple range of 10.5 times to 11.5 times to be appropriate in assessing the value of the Development Division. This multiple does not incorporate a premium for control, with this premium being applied at the Australand equity level, as outlined in Section 8.10 of this report.

8.5 Corporate overhead costs

Unallocated corporate overhead costs incurred by Australand relate to employee remuneration, share registry fees, non-executive director fees, audit and professional fees, IT expenses, rent and insurances.

Total unallocated corporate overhead costs for the three years ending 31 December 2013 are set out below.

Table 27: Corporate overhead costs

For the period ending $ million	31-Dec-11 12 months	31-Dec-12 12 months	31-Dec-13 12 months
Corporate overhead costs	28.1	29.7	29.8

Source: Australand Annual Report for the years ended 31 December 2011, 2012 and 2013

For the purpose of assessing the capitalised value of corporate overhead costs, we have selected a cost base of $28 million, having regard to management forecasts. We have applied a capitalisation multiple of 7.5 times to 8.5 times to the budgeted annual costs, resulting in assessed capitalised cost of between $210.0 million and $238.0 million.

8.6 Net debt

The composition of net debt as at 30 June 2014 is set out below.

Table 28: Net debt

As at $ million	30-Jun-14
Interest bearing liabilities	1,388.5
Less: Cash	(115.9)
Less: Derivative financial assets	(32.8)
Net debt	**1,239.8**

Source: Australand management estimates for 30 June 2014

The balance related to derivative financial assets has been included in net debt as it represents a currency swap contract in relation to the US denominated USPP.

The components of net debt were recorded at fair value and we have adopted the carrying value of these balances for the purposes of our valuation.

8.7 Provision for distributions

The provision for distributions as at 30 June 2014 of $78.9 million comprises the following:

- the distribution payable to Australand Securityholders of 12.75 cents per Stapled Security for the half year ended 30 June 2014, amounting to $73.8 million
- the distribution payable in relation to ASSETS for the quarter ended 30 June 2014, amounting to $5.1 million.

This amount has been deducted in our SOTP approach, as the cash balance that will ultimately fund the distribution payment has been included in our net debt calculation.

8.8 Deferred tax assets

As outlined in Section 7.7 of this report, the net deferred tax assets balance of $30.2 million includes a balance of $19.3 million relating to unused tax losses. In accordance with Australand's accounting policies, this balance represents the tax benefit which is considered probable that future taxable profits will be available to utilise. Total unused tax losses as at 31 December 2013 were $319.4 million, equating to a potential tax benefit of $95.8 million, at face value.

We have included deferred tax assets in our valuation of Australand based on their carrying value. Whilst the most technically sound approach to valuing these losses would be by assessing the present value based on the expected timing of the realisation of these benefits, we have not applied this approach as our broader valuations have not been conducted on a DCF basis. The amount of deferred tax assets that can be recognised are based upon management's judgement regarding the likely timing and the level of future taxable profits, together with future tax planning strategies. On this basis, we consider that the carrying value reasonably approximates the present value of these tax benefits.

8.9 Other assets and liabilities

The composition of other assets and liabilities as at 30 June 2014 is set out below.

Table 29: Other assets and liabilities

As at $ million	30-Jun-14
Other receivables	3.1
Prepayments	3.3
Other assets	1.0
Property, plant and equipment	28.5
Other payables	(17.0)
Provisions	(11.5)
Other assets and liabilities	**7.5**

Source: Australand management estimates for 30 June 2014

These assets and liabilities have been recorded at fair value. We have adopted the carrying value of these assets and liabilities for the purposes of our valuation.

8.10 Premium for control

Consistent with the requirements of RG 111, in valuing Australand we have assumed 100% ownership, and therefore included a premium for control.

Observations from transaction evidence indicate that takeover premiums are generally in the range of 20 to 35 percent[12] for completed takeovers. In transactions where it was estimated that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be in excess of 30 percent. Takeover premiums vary significantly and include:

- pure control premium in respect of the acquirer's ability to utilise their control over the cash flows of the target entity
- synergies that an acquirer is able to extract from the acquisition
- desire (or anxiety) for the acquirer to complete the transaction.

[12] Based on analysis of transactions between 2000 and 2014 sourced from Connect4

In assessing Australand's equity value, we have applied a control premium of 10%. This premium is below the observed range outlined above, as we consider a lower control premium to be appropriate given Australand's allocation of the majority of its capital to investment properties. Investment properties typically do not command a significant control premium as their carrying values are assessed on a control basis and potential acquirers are generally unable to extract significant synergies from these types of assets.

We have assessed the control premiums implied by transactions in the property industry over the past five year. These control premiums have generally fallen within the range of 5% to 15%. On this basis, we consider the control premium applied in our valuation to be appropriate.

8.11 ASSETS hybrid

ASSETS may be redeemed or exchanged at the discretion of Australand. Redemption will take place at face value, totalling $275 million.

This value has been subtracted from the total equity value of Australand in order to arrive at the equity value attributable to the Stapled Securities.

8.12 Cross-check of Valuation

In order to confirm the reasonableness of the assessed the value of the Stapled Securities derived from our analysis, we have completed a cross-check by:

- analysing the trading history of the Stapled Securities, for the periods prior to and subsequent to Stockland's strategic acquisition of 19.9% interest in Australand
- comparing the earnings multiples implied by KPMG Corporate Finance's valuation of Australand with those of listed A-REITs
- comparing the premium/discount to NTA implied by KPMG Corporate Finance's valuation of Australand with those of listed A-REITs and transactions in the property industry.

8.12.1 Recent trading history of the Stapled Securities

Australand has been subject to corporate activity over recent months, and its trading price during this period has been influenced by the offers made by Stockland and Frasers. In order to compare our assessed valuation range to the recent trading history of Australand, we have based our VWAP analysis on the period up to 19 March 2014, which is the date prior to Stockland's strategic acquisition of a 19.9% interest in Australand. We consider that basing our analysis on the period up to this date reduces the extent to which the trading price of the Stapled Securities was influenced by corporate activity.

We set out below our VWAP analysis with respect to the Stapled Securities for the period to 19 March 2014.

Table 30: Recent trading history of the Stapled Securities

Period	Price (low) ($)	Price (high) ($)	Price VWAP ($)	Cumulative value ($ million)	Cumulative volume (million)	% of issued capital
Period ended 19 March 2014						
1 day	3.88	3.95	3.89	5.0	1.3	0.2%
1 week	3.85	3.98	3.89	26.4	6.8	1.2%
1 month	3.84	3.99	3.91	127.5	32.6	5.6%
3 months	3.70	4.00	3.88	372.9	96.1	16.6%
6 months	3.47	4.02	3.75	1,162.6	310.2	53.6%

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

Our assessed valuation range per Stapled Security on a controlling interest basis is $4.22 to $4.54, which represents a premium of 8.8% and 17.0% respectively, to the three month VWAP outlined above of $3.88.

Based on our valuation range, the implied value per Stapled Security on a minority interest basis (i.e. excluding the premium for control) is $3.79 to $4.08. The three month VWAP of $3.88 falls within this range, and therefore supports our underlying valuation range.

8.12.2 Earnings multiples

Our assessed enterprise and equity values for Australand and the implied EBIT and P/E multiple ranges, based on consensus estimate earnings, are set out below.

Table 31: Implied earnings multiples

$ million	Low	High
Assessed enterprise value of Australand	3,763.1	3,931.1
Assessed equity value of Australand	2,455.3	2,640.1
Implied NTM EBIT multiple[1]	**12.6**	**13.2**
Implied NTM P/E multiple[1]	**13.7**	**14.8**

Source: S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: EBIT and NPAT based on consensus estimates for the year ending 30 June 2015

We have compared the above implied multiples to the NTM multiples of listed A-REITs outlined in Table 26 on page 47, and make the following observations:

- a number of the A-REITs outlined in the table generate a significant proportion of their earnings from joint ventures and associates, which are accounted for using the equity accounting method. This reduces the comparability of EBIT multiples to Australand which generates only a small proportion of its earnings from equity accounted entities. We therefore consider the use of a P/E multiple to represent a more reliable cross-check
- the median NTM P/E multiple of the A-REITs is 14.2 times which is within the range implied by our valuation of 13.7 time to 14.8 times
- the A-REITs which are most closely comparable to Australand are Mirvac and Stockland, due to their exposure to residential development. The high end of the implied NTM P/E multiple range is consistent Mirvac's trading multiple of 14.7 times and is below Stockland's trading multiple of 15.4 times. We consider this to be reasonable for the following reasons:

- Mirvac generates a greater proportion of their respective earnings from passive investment income than Australand, and this type of income is generally traded at a higher multiple than active income (i.e. from property development)
- both Mirvac and Stockland are larger than Australand in terms of market capitalisation, and there is evidence which suggests that in the A-REIT sector, scale can benefit P/E multiples.

On this basis, we consider that the P/E multiple range implied by our valuation of Australand is appropriate and supports the reasonableness of our assessed valuation range.

8.12.3 Premium/discount to NTA

Based on our assessed value per Stapled Security, the implied premium to NTA as at 30 June 2014 is as set out below.

Table 32: Implied premium to NTA

	Low	High
Assessed value per Stapled Security ($)	4.22	4.54
NTA per Stapled Security ($)[1]	3.65	3.65
Premium/(discount) to NTA	**15.7%**	**24.4%**

Source: KPMG Corporate Finance analysis
Note 1: NTA per Stapled Security is based on the fully diluted number of Stapled Securities on issue under the assumption that the Offer becomes unconditional on 31 July 2014

The assessed value range of $4.22 and $4.54 per Stapled Security implies a premium to NTA range of 15.7% to 24.4%. In assessing the reasonableness of this premium, we have considered the premiums implied by trading prices of other listed A-REITs and implied from transactions in the property industry. This analysis is set out below.

Table 33: Premium/discount to NTA for selected A-REITs

	Security price[1] ($)	NTA per security[2] ($)	Premium/ (discount) to NTA
Diversified REITs			
Abacus Property Group	2.50	2.34	6.8%
Charter Hall Group	4.26	2.15	98.1%
DEXUS Property Group	1.11	1.08	2.8%
GPT Group	3.84	3.79	1.3%
Mirvac Group	1.79	1.65	8.2%
Stockland	3.88	3.52	10.2%
Industrial REITs			
BWP Trust	2.48	2.02	22.8%
Goodman Group	5.05	2.73	85.0%
Office REITs			
Cromwell Property Group	0.98	0.71	37.3%
Investa Office Fund	3.40	3.24	4.9%
Retail REITs			
CFS Retail Property Trust Group	2.04	2.02	1.0%
Charter Hall Retail REIT	3.88	3.36	15.5%
Federation Centres	2.49	2.30	8.3%
Scentre Group	3.20	2.88	11.1%
Shopping Centres Australasia Property Group	1.72	1.59	8.2%
Westfield Corporation	7.15	n/a	n/a
Low			**1.0%**
High (excluding outliers)[3]			**37.3%**
Median (excluding outliers)[3]			**8.2%**

Source: Financial reports of each entity; S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: Security price is as at 30 June 2014
Note 2: NTA per security is based on the most recent financial information available
Note 3: Figures shaded in grey are considered to be outliers

In relation to the above, we note:

- security prices are based on market prices at 30 June 2014. They reflect the price at which minority parcels have traded and excludes a premium for control
- premiums to NTA for selected listed A-REITs range between 1.0% to 37.3%, with a median of 8.2% (excluding outliers). A-REITs with premiums at the higher end of the range typically generate a relatively greater proportion of earnings from active income.

The table below sets out the premium/discount to NTA implied by transactions in the property industry.

Table 34: Premium/discount to NTA for comparable transactions

Date	Target	Consideration ($ millions)	Premium/(discount) to NTA[1]
Apr-14	Challenger Diversified Property Group	587	1.1%
Dec-13	Commonwealth Property Office Fund	2,910	5.2%
Apr-12	Thakral Holdings Ltd	507	(15.6%)
Jan-12	Charter Hall Office REIT	1,228	(3.9%)
Jan-12	Abacus Storage Fund	132	(8.2%)
Apr-11	Valad Property Group	209	(22.1%)
Apr-11	Rabinov Property Trust	50	(4.3%)
Dec-10	ING Industrial Fund	1,395	(1.5%)
Jul-10	MacarthurCook Industrial Property Fund	43	(32.1%)
Apr-10	Westpac Office Trust	417	3.1%
Oct-09	Mirvac Real Estate Investment Trust	373	(29.9%)

Source: Company financial statements, announcements and related independent expert reports; S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: NTA relates to the last reported NTA for each company

In relation to the above, we note:

- typically, for entirely passive investment REITs, a premium above NTA would not be expected on the basis that independent valuations for each property would already incorporate control values. We note, however, that a number of company specific factors could lead to premiums over NTA being observed, including specific synergies available to the acquirer, diversification benefits of property portfolio, economies of scale achieved, value of development pipelines and value of operating businesses acquired
- a number of transactions occurred at significant discounts to NTA as they involved entities which were in financially distressed situations. These transactions include those involving Valad Property Group, MacarthurCook Industrial Property Fund, Mirvac Real Estate Investment Trust and Orchard Industrial Property Fund. The transaction involving Thakral Holdings Ltd was also at a significant discount to NTA, however, this was as a result of the bidder's existing interest of 38.5%, which potentially deterred market participants from making competing bids
- transactions involving Challenger Diversified Property Group, Commonwealth Office Property Fund, Charter Hall Office REIT, ING Industrial Fund and Westpac Office Trust, took place at or about NTA. This is due to the earnings of these entities primarily being generated from passive investments.

Having compared the premiums/discounts implied by the listed A-REITs and transactions outlined above, to the premium range implied by our valuation (i.e.15.7% to 24.4%), we make the following observations:

- we consider a premium to NTA to be appropriate in the valuation of Australand as it generates earnings from both passive investments and active businesses

- we consider it appropriate that the premium to NTA implied by our valuation of Australand is above the median of the listed A-REITs of 8.2%, as it includes an element of control premium which is not included in the trading prices of the A-REITs used in this comparison
- based on our valuation range, the implied value per Stapled Security on a minority interest basis (i.e. excluding the premium for control) is $3.79 to $4.08. This implies a premium to NTA range of 4.0% to 12.0%. The median of the listed A-REITs of 8.2% falls within this range.

On this basis, we consider that the implied premium to NTA based on our valuation of Australand is appropriate and supports the reasonableness of our assessed valuation range.

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board (APESB). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin and Sean Collins. Each has a significant number of years’ experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance’s opinion as to whether the Offer is fair and reasonable to Australand Securityholders. KPMG Corporate Finance expressly disclaims any liability to any Australand Securityholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Target’s Statement or any other document prepared in respect of the Offer. Accordingly, we take no responsibility for the content of the Target’s Statement as a whole or other documents prepared in respect of the Offer.

Independence

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

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Target’s Statement to be issued to the Securityholders of Australand. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- the Target's Statement (including earlier drafts)
- the Bidder's Statement and Bid Implementation Agreement released to the ASX on 1 July 2014
- annual reports of Australand for three years ended 31 December 2013, and management estimates for the half year ended 30 June 2014
- press releases, public announcements, media and analyst presentations material and other public filings by Australand and Frasers, including information available on each company's website
- brokers' reports and recent press articles on Australand and the property industry
- security market data and related information on Australian and international listed companies engaged in the property industry and on acquisitions of companies and businesses in this industry
- various reports published by IBISWorld Pty Ltd
- financial information from S&P Capital IQ, Thompson Financial Securities and Connect 4.

Non-public information

- management accounts for Australand and its investments for three years ended 31 December 2013, and management estimates for the half year ended 30 June 2014
- financial forecasts for Australand to FY16
- other confidential documents, board papers, presentations and working papers.

In addition, we have held discussions with, and obtained information from, the senior management of Australand and its advisors.

Appendix 3 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 4 – Market evidence

Comparable companies

The following table sets out the implied EBIT and P/E multiples for the companies listed on the A-REIT Index.

Table 35: Sharemarket evidence

	Market capitalisation[1] ($ million)	Enterprise value[2] ($ million)	EBIT Multiple		P/E Multiple	
			LTM[3]	NTM[4]	LTM[3]	NTM[4]
Diversified REITs						
Abacus Property Group	1,284.4	2,068.8	13.4	13.0	15.2	12.6
Charter Hall Group	1,482.4	1,507.8	22.2	17.6	27.5	16.3
DEXUS Property Group	6,030.8	8,367.0	18.5	13.6	12.2	13.5
GPT Group	6,472.2	8,566.6	17.6	14.8	11.3	14.6
Mirvac Group	6,590.7	9,277.3	18.7	15.5	19.9	14.7
Stockland	9,022.8	11,702.7	23.1	17.9	16.4	15.4
Industrial REITs						
BWP Trust	1,573.3	1,899.3	18.7	16.1	12.2	16.4
Goodman Group	8,724.8	10,794.5	21.6	16.0	nmf	14.0
Office REITs						
Cromwell Property Group	1,684.1	3,875.3	20.4	18.5	16.3	11.5
Investa Office Fund	2,087.9	2,658.5	15.2	13.4	13.0	13.3
Retail REITs						
CFS Retail Property Trust Group	6,156.8		18.1	15.5	17.3	15.0
Charter Hall Retail REIT	1,431.9	2,022.1	15.3	14.7	24.9	12.8
Federation Centres	3,554.8	4,981.7	15.0	15.9	16.7	14.2
Scentre Group	9,533.5	12,693.3	nmf	n/a	n/a	n/a
Shopping Centres Australasia Property Group	1,115.6	1,552.5	16.3	15.0	nmf	13.4
Westfield Corporation	14,816.4	28,006.1	nmf	n/a	n/a	17.1
Low			**13.4**	**13.0**	**11.3**	**11.5**
High (excluding outliers)[5]			**23.1**	**18.5**	**19.9**	**17.1**
Median (excluding outliers)[5]			**18.3**	**15.5**	**15.2**	**14.2**

Source: S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: LTM = last twelve months financial results for EBIT and NPAT at 30 June 2014
Note 2: NTM = next twelve months financial results for EBIT and NPAT at 30 June 2014
Note 3: nmf = not meaningful
Note 4: n/a = not available
Note 5: Figures shaded in grey are considered to be outliers

A brief description of each company is outlined below.

Diversified REITs

Abacus Property Group

Abacus Property Group (Abacus) is a diversified REIT that is involved in property investment, funds management, property finance, and projects and investments activities across the eastern seaboard in major metropolitan areas in Australia. The company holds a diversified investment portfolio of retail, commercial and industrial properties. As at 31 December 2013, Abacus had 97 investment properties with a total value of $1.3 billion. The commercial portfolio had total occupancy of 94.2% and a WALE of 4.1 years.

Charter Hall Group

Charter Hall Group is an internally managed REIT which provides property and funds management services with total AUM of $10.5 billion. As at 31 December 2013, Charter Hall Group had property investment portfolio was valued at $622 million and featured properties across the office (48%), retail (27%) and industrial (25%) sectors. The property portfolio had a WALE of 6.1 years and total occupancy of 97.0%.

DEXUS Property Group

DEXUS Property Group (DEXUS) is an internally managed diversified REIT with $14.0 billion AUM across the office ($8.0 billion), retail ($3.4 billion) and industrial (2.6 billion) sectors. It also develops and manages office, industrial, and retail properties on behalf of third party investors. As at 31 December 2013, DEXUS had 127 properties, with a net lettable area of 3.2 million square meters and occupancy of 94.7% and 94.2% for its office and industrial properties respectively.

GPT Group

GPT Group (GPT) operates as an internally managed diversified real estate investment property trust. GPT's portfolio consists of retail (53%), office (34%) and logistics (13%), with a total portfolio value of $8.3 billion as at 31 December 2013. The occupancy for retail properties was 99.6% with property investments across regional, sub-regional and neighbourhood areas.

Mirvac Group

Mirvac Group (Mirvac) is an internally managed diversified REIT which invests in and manages office, retail, industrial and residential assets. As at 31 December 2013, Mirvac's property portfolio was valued at $6.4 billion with a WALE of 5.0 years and 97.8% occupancy. Mirvac has properties across Australia, with the majority in NSW (60.5%).

Stockland

Stockland is an internally managed diversified REIT which develops and operates commercial, residential and retirement properties. As at 31 December 2013, Stockland had 40 retail centres, 17 industrial properties and 18 office buildings. Its retail properties had a total value of $5.5 billion, a WALE of 6.1 years and 99.6% occupancy. Stockland's assets are geographically spread across Australia.

Industrial REITs

BWP Trust

BWP Trust is an internally managed REIT which has 84 properties spread across Australia in the form of Bunnings Warehouses, distribution centres, retail showrooms and industrial properties. As at 31 December 2013, BWP had 79 properties with a total value of $1.6 billion.

Goodman Group

Goodman Group is an internally managed diversified REIT with AUM of $26.0 billion as at 31 December 2013. Goodman Group operates, develops and manages properties across Australia (47%) and internationally (53%). The Goodman Group portfolio has 23 properties valued at $2.2 billion, with 94% occupancy and WALE of 3.2 years.

Office REITs

Cromwell Property Group

Cromwell Property Group is an internally managed A-REIT that specialises in direct and fund-of-fund investments with a portfolio valued at $2.3 billion as at 31 December 2013. Cromwell Property Group has a net lettable area of 500,000 square metres with 96.0% occupancy and a WALE of 6.2 years. Cromwell primarily invests in the office sector in Australia (98.8%), but also has some investments in the Australian retail sector (1.2%).

Investa Office Fund

Investa Office Fund (IOF) is an externally managed office REIT which has 22 properties, 21 in Australia and 1 in Belgium, with a total value of $2.6 billion and €58.8 million respectively. IOF investments are located in core CBD markets and the Australian portfolio has an occupancy of 96% and WALE of 5.0 years.

Retail REITs

CFS Retail Property Trust Group

CFS Retail Property Trust (CFS) is an externally managed entity, managed by Colonial First State Property Retail. As at 31 December 2013, CFS had total AUM of $8.6 billion with portfolio occupancy of 99.2%. CFS has 28 retail assets across Australia which achieved retail sales of $7.7 billion. CFS was formed in 1994 and is domiciled in Australia where it makes investments in retail assets, primarily in shopping centres and retail outlet centres. In July 2013, CFS announced a proposal to internalise its management function and was approved at the Extraordinary General Meeting on 7 March 2014.

Charter Hall Retail REIT

Charter Hall Retail REIT is an externally managed REIT launched and managed by Charter Hall Retail Management Limited. Charter Hall Retail REIT invests predominantly in the eastern seaboard, Western Australia and Queensland. As at 31 December 2013, Charter Hall Retail REIT's investment portfolio comprised 77 centres across sub-regional, neighbourhood and freestanding supermarkets, was valued at $1.9 billion and 98.2% occupancy.

Federation Centres (Centro Retail Australia)

Federation Centres is an internally managed REIT with $6.7 billion of AUM, 38 wholly owned centres valued at $2.2 billion and 19 co-owned shopping centres valued at $2.1 billion, as at 31 December 2013. Federation Centres provides property management, development, leasing and fund management services, and has an investment portfolio of sub-regional, regional and convenience centres. Federation Centres' 57 managed centres have retail space of 1.4 million square metres, annual retail sales of $7.9 billion, WALE of 6.1 years and 99.5% occupancy.

Scentre Group

Scentre Group is an internally managed retail REIT which was formed in June 2014 from the merger of Westfield Retail Trust and Westfield Group's Australia and New Zealand business. Scentre Group has ownership interest in 47 shopping centres in Australia and New Zealand, and provides property management, leasing, design, development, construction, marketing and funds management services. At 31 December 2013[13], Scentre Group had 12,544 retail outlets with a gross lettable area of 3.8 million sqm and $38.5 billion of AUM.

Shopping Centres Australasia Property Group

Shopping Centres Australasia Property Group (Shopping Centres Australasia) is an internally managed REIT. Shopping Centres Australasia operates 73 properties across Australia (87%) and New Zealand (13%) valued at $1.6 billion. As at 31 December 2013, the asset portfolio had a WALE of 13.8 years, gross lettable area of 458,131 square metres, and 97.1% occupancy.

Westfield Corporation

Westfield Corporation is an internally managed retail REIT which formed in June 2014 through the demerger of Westfield Group's Australia and New Zealand business with its international operations. Westfield Corporation, although a listed A-REIT, has ownership interests in 43 shopping centres in the United States and United Kingdom, and provides property management, leasing, design, development, construction , marketing, digital and funds management services. At 31 December 2013[14], Westfield Corporation had 7,992 retail outlets with gross lettable area of 53 million square feet, and approximately US$28.6 billion of AUM (62% being Westfield Corporation's share).

Comparable transactions

In assessing our valuation of Australand we have considered transactions involving comparable companies.

Between 2009 and 2011, market conditions for REITs were particularly challenging with limited access to debt and equity funding, declines in property values and generally weaker economic conditions. As a result, a number of transactions took place under financially distressed situations for the target. More recently, REITs have undertaken numerous strategic initiatives, for example divestment of non-core assets, internalising management and other refocusing strategies, which have led to stabilising market conditions and increases in investment.

We note that it is difficult to make direct comparisons between the Offer and recent transactions as not all transactions were in the form of a takeover with a defined cash consideration, and target differ from Australand in terms of service mix and sector exposure.

Outlined in the table below is a summary of a number of transactions which have taken place since 2009 involving A-REITs and sets out the premium or discount to NTA.

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[13] Pro forma financials at 31 December 2013 used for this analysis

[14] Pro forma financials at 31 December 2013 used for this analysis

Table 36: Comparable transaction evidence

Date	Target	Transaction	Consideration ($ millions)	Premium/ (discount) to NTA[1]
Apr-14	Challenger Diversified Property Group	Acquisition by Challenger Life Company Limited	587	1.1%
Dec-13	Commonwealth Property Office Fund	Acquisition by DEXUS Property Group and CPPIB	2,910	5.2%
Apr-12	Thakral Holdings Ltd	Acquisition by Brookfield Asset Management Inc.	507	(15.6%)
Jan-12	Charter Hall Office REIT	Acquisition by a Consortium (including Charter Hall Group)	1,228	(3.9%)
Jan-12	Abacus Storage Fund	Merger with Abacus Property Group	132	(8.2%)
Apr-11	Valad Property Group	Acquisition by Blackstone Real Estate Advisors LLC	209	(22.1%)
Apr-11	Rabinov Property Trust	Acquisition by Growthpoint Properties Australia	50	(4.3%)
Dec-10	ING Industrial Fund	Acquisition by Goodman Group	1,395	(1.5%)
Jul-10	MacarthurCook Industrial	Acquisition by CommonWealth REIT	43	(32.1%)
Apr-10	Westpac Office Trust	Acquistion by Mirvac Group	417	3.1%
Oct-09	Mirvac Real Estate Investment Trust	Acquistion by Mirvac Group	373	(29.9%)

Source: Company financial statements, announcements and related independent expert reports; S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: NTA from last reported financial result for each target company

A brief description of each transaction is outlined below.

Acquisition of Challenger Diversified Property Group by Challenger Life Company Limited

On 11 April 2014, Challenger Australia Listed Property Holding Trust, a related entity of Challenger Life Company Limited, announced an off-market takeover offer for all units of Challenger Diversified Property Group (CDI), for cash consideration of $2.74 per unit. CDI is a diversified REIT with interest in 27 office, retail and industrial properties located in Australia and France. CDI also holds the lease on Sydney's Domain car park and engages in property development activities. CDI is largely a passive investment vehicle, with the majority of earnings generated from its investment properties. As at 31 December 2013, CDI had total asset value of $888 million. CDI's property portfolio is diversified across the office (59%), retail (19%), industrial (18%) and hi-tech office (4%) sectors predominantly focussed in Victoria, NSW and ACT.

Acquisition of Commonwealth Property Office Fund by DEXUS Property Group and CPPIB

On 11 December 2013, DEXUS Property Group, in conjunction with CPPIB, announced its intention to make a conditional off-market takeover offer for all of the outstanding units in Commonwealth Property Office Fund (CPA) for cash and scrip consideration for approximately $1.24 per CPA unit. As at 31 December 2013, CPA had 25 office assets with a total value of $3.8 billion and WACR of 7.3%. CPA's property portfolio was concentrated in NSW and Victoria, comprising 46.0% and 30.7% of the total portfolio value respectively.

Acquisition of Thrakal Holdings Limited by Brookfield Asset Management Inc.

On 19 April 2012, Brookfield Asset Management Inc (Brookfield) announced a takeover offer of Thakral Holdings Limited (Thrakal) at $0.70 per stapled security. On the same date, Brookfield enforced security under debentures which provided Brookfield with a relevant interest in 38.6% of Thakral. The offer was unanimously recommended by directors to reject the Brookfield offer. On 22 August 2012, Brookfield and Thakral entered into an implementation deed whereby Brookfield agreed to increase its offer to $0.81 per stapled security if it became entitled to 90% of Thakral securities, which occurred on 11 September 2012. Thakral's primary activity was investment in hotel, leisure, retail and commercial properties and the management of hotels in Australia. In addition, Thakral was engaged in property development activities. For the year ended 30 June 2012, Thakral's revenue comprised 79% from hotel, retail and commercial investments, and 21% from property development activities.

Acquisition of Charter Hall Office REIT by a Consortium including Charter Hall Group

On 3 January 2012, the Charter Hall Office REIT's (CQO) independent directors announced they had entered into a scheme implementation agreement with a consortium including Charter Hall Group, under which CQO, would receive a cash payment of $2.49 per CQO unit. CQO invests predominantly in high grade office buildings and at 31 December 2011, had an Australian property portfolio with total value of $1.8 billion, geographically diversified across NSW, Victoria, Queensland, South Australia and the ACT.

Merger of Abacus Storage Fund with Abacus Property Group

On 13 January 2012, Abacus Property Group (APG) announced its intention to merge with Abacus Storage Fund (Abacus). APG is an internally managed listed stapled entity, with exposure to a diversified portfolio of commercial, retail and industrial property, mortgage investments and property development ventures and property funds management activities. Abacus is an unlisted stapled entity and is one of the largest participants in the Australasian self storage sector, owning a portfolio of 41 self storage facilities with 30 in Australia and 11 in New Zealand and a commercial property with total value of approximately $332 million. Abacus' income was generated from storage rental income, which is subject to fluctuations as a result of the short term nature of the contracts. As such, the discount to NTA in part reflected this inherent risk in Abacus' income stream.

Acquisition of Valad Property Group by Blackstone Real Estate Advisors LLC

On 29 April 2011, Valad Property Group (Valad) announced that it had entered into a scheme of arrangement with Blackstone Real Estate Advisors LLC to acquire all of the issued shares in Valad for $1.80 per Valad security. At 31 December 2013, Valad's property portfolio consisted of 27 properties, valued at $569 million in across the office (31%), industrial (28%), bulky goods (24%) and hotel and residential sectors in Australia (88%) and New Zealand (12%).

Acquisition of Rabinov Property Trust by Growthpoint Properties Australia

On 13 April 2011, Growthpoint Properties Australia and Rabinov Property Trust (Rabinov) jointly announced an off-market takeover by Growthpoint Properties Australia for 100% of Rabinov via a scrip offer. Rabinov is a diversified property investment vehicle which, as at 31 December 2010, had a portfolio of 12 properties valued at $235 million comprising office (69.8%), industrial (28.3%) and retail (2.1%) properties. Properties were spread across Australia, however were heavily concentrated in Victoria, constituting 70.6% of the property portfolio.

Acquisition of ING Industrial Fund by a Consortium led by Goodman Group

On 24 December 2010, ING Industrial Fund (ING) announced that it had entered into an implementation agreement with Goodman Group and a Consortium, to acquire all units in ING for cash consideration of $0.546 per ING unit. ING develops, owns and manages diversified portfolio of industrial properties and business parks, and as at 31 December 2013, had a portfolio of 61 properties valued at $2.5 billion, WALE of 4.5 years and a portfolio WACR of 8.4%

Acquisition of MacarthurCook Industrial Property Fund by CommonWealth REIT

On 12 July 2010, MacarthurCook Industrial Property Fund (Macarthur) announced that it had received a proposal from CommonWealth REIT to acquire all units in Macarthur for cash consideration of $0.44 per unit. Macarthur, an unlisted property fund had, as at 30 June 2010, a portfolio of 10 industrial properties valued at $106.1 million across Australia and WALE of 4.6 years.

Acquisition of Westpac Office Trust by Mirvac Group

On 28 April 2010, Westpac Office Trust (WOT) announced it had entered into a scheme implementation agreement with Mirvac Group in relation to an offer by Mirvac Group to acquire all WOT units and instalment receipts for cash or scrip. At 31 December 2009, WOT had a portfolio of 7 properties with a total value of $1.1 billion, WALE of 8.7 years and portfolio WACR of 7.39%. Sydney CBD properties comprised the majority of WOT's property portfolio value, representing 62% of the total portfolio value.

Acquisition of Mirvac Real Estate Investment Trust by Mirvac Group

On 12 October 2009, Mirvac Real Estate Investment Trust (Mirvac REIT) announced that it had received a proposal from Mirvac Group to acquire all the issued units in Mirvac REIT for scrip, or a combination of cash and scrip. As at 30 June 2009, Mirvac REIT had a total portfolio value of $1.0 billion across the retail (36%), commercial (31%), industrial (17%) and hotel (16%) sectors and a WALE of 4.8 years. At the time, Mirvac REIT was in financial distress.

Appendix 5 – Industry overview

Overview

Australand is a diversified A-REIT and owns, develops and manages properties located throughout Australia. As outlined in Section 7 of this report, Australand's activities include holding a portfolio of office and industrial property assets, and development of commercial, industrial and residential property.

In order to provide context regarding the current economic and industry factors which are relevant to Australand, we have set out below an overview of the A-REIT sector and the sectors within the Australian property industry in which Australand operates.

A-REIT sector

A-REITs are trust structures that provide securityholders with the opportunity to invest in a vehicle which holds investments in property assets, both domestically and internationally.

At 30 June 2014, the market capitalisation of the A-REIT Index was $92.85 billion. The A-REIT Index comprises 17 constituents, with Australand being the tenth largest, representing approximately 3% of the index.

A-REITs invest in a range of properties in various sub-sectors and geographic locations. Investors generally evaluate A-REITs by assessing the security of the income, the quality of the individual properties and tenants, the length of tenant leases, the level of gearing and the quality of management. The relative risk of these elements will generally be reflected in the yield of individual A-REITs.

A-REITs are often sector-specific, concentrating on a particular sector of the property market. A-REITs that invest across several sectors are known as diversified A-REITs. The sectors within property market and the type of properties within each are as follows:

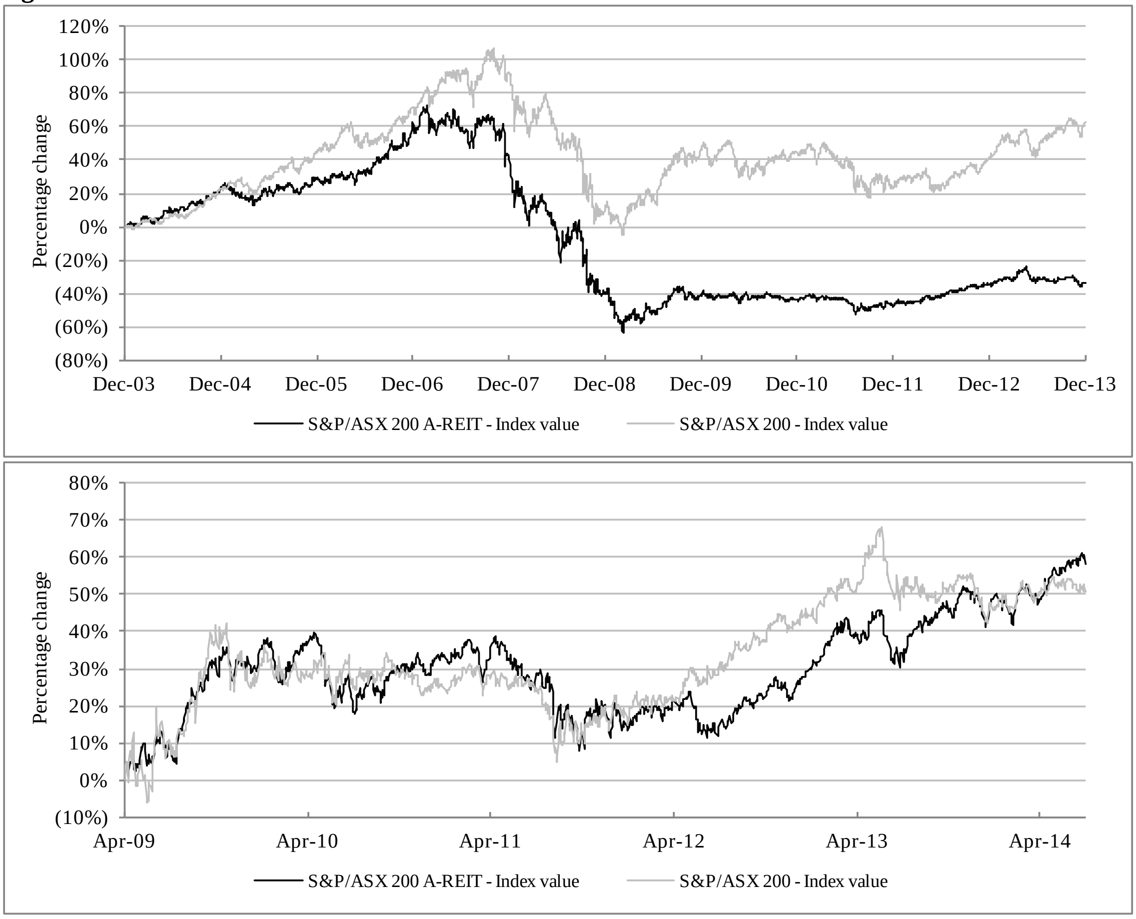
- Industrial: investment in industrial warehouse and distribution properties
- Office: investment in office buildings and office parks
- Residential: investment in residential properties including housing, apartments and student housing properties
- Retail: investment in shopping malls, outlet malls, neighbourhood and community shopping centres
- Hotel: investment in properties that provide accommodation on a room and/or suite basis
- Bulky goods: investment in retail warehouse which contain white goods and hardware.

A-REITs may be able to access tax concessions (such as capital allowances and tax deferral on rental income) which are generally passed onto securityholders through tax deferred distributions.

Historical performance

The diagrams below illustrate the relative performance of the A-REIT Index and the ASX 200 Index between the periods 31 December 2003 to 30 June 2014 and the relative performance rebased from 1 April 2009 to 30 June 2014.

Figure 13: A-REIT Index vs. ASX 200 Index



Source: S&P Capital IQ

The A-REIT Index performed in-line with the ASX 200 Index between December 2003 and December 2006.

During the period from January 2006 to March 2009, the A-REIT Index significantly underperformed the ASX 200 Index. This underperformance is attributable to the global financial crisis which influenced changes in debt markets resulting in tighter gearing requirements and stringent debt covenant conditions, leading to declines in property valuations and higher debt costs. These changes had a particularly negative impact on A-REITs, many of which were highly geared, having to raise equity capital at significant discounts to their NTA in order to reduce gearing to more sustainable levels.

During the period from April 2009 to the present, the A-REIT Index has performed reasonably in line with the ASX 200 Index.

Industry sector: Industrial property

The industrial property sector comprises firms engaging in the ownership and management of a wide range of industrial and commercial properties, such as, warehouses and distribution centres, secondary production buildings and factories, logistics centres, agriculture and aquaculture buildings, mineral and resource processing facilities and commercial buildings such as repair garages, mail sorting centres and petrol stations.

Recent performance

This sector has experienced subdued growth during the past five years, due to volatile business confidence and a sluggish manufacturing industry, resulting in weak demand for industrial properties. Sector performance was particularly weak during 2009-10, as developers experienced difficulty in obtaining finance for new projects and demand was soft due to low levels of business confidence.

During the past two years, conditions in this sector have improved, with revenue growth in 2012-13 and 2013-14 estimated to be 6.3% and 2.3% respectively. This improvement is attributed to an increased level of stability in the domestic economy, higher levels of consumer and business confidence, and growth in merchandise trade, which has driven demand for warehousing, transport and logistics facilities.

The improvement in sector conditions is also evident in the increased level of transactions.

Outlook

IBISWorld estimates that the sector revenue will grow at a compound annual growth rate (CAGR) of 2% during the five years ending 2018. This growth is expected to be supported by continued improvement in economic conditions and greater access to finance, encouraging consumer and business expenditure, which in-turn will raise demand for industrial property.

Structural change in the retail channel due to strong growth in online retail is driving demand for warehouse space close to transport links. Major retail chains have a strategic focus on establishing wide presence across online channel, while new entrants are capturing retail market by operating with a warehouse distribution centre only. The demand for logistics channels and warehousing activities drives industrial property demand for both construction and leasing activity.

Competition for assets and development opportunities is expected to increase, with larger participants being able to access local funds and foreign investment to capture a greater portion of market share.

Industry sector: Office property

The office property sector comprises firms engaging in the ownership and management of office property such as CBD offices, suburban and regional offices, and other major market offices.

Recent performance

During the past five years, the operating environment of this sector has been negatively impacted by low business confidence, subdued white-collar employment and rising vacancy rates. The sector experienced a severe downturn during 2008-09 as demand for office space fell sharply and investment demand fell, resulting in property devaluations. This led to several A-REITs having to raise capital in order to reduce gearing to a sustainable level.

During the past two years, conditions in the sector have improved, with the following trends beginning to emerge.

Demand for CBD office space

As general economic conditions improved during 2010 to 2012, tenant demand returned which decreased vacancy rates and contributed to stabilisation in property values. However, this trend has stalled in 2013-14 due to weak growth in service-based businesses.

The level of demand for prime CBD assets has been maintained, as tenants continue to seek to upgrade to better quality buildings. A shortage of supply is forecast in this segment of the market, which is expected to reduce vacancy rates and support valuations of these properties.

Level of investment demand for high-quality assets

Strong investor demand has emerged for Australian office real estate assets, and in particular, prime CBD assets. These assets are attractive to both local and foreign investors due to Australia’s stable economic performance relative to other developed nations and the yields which are able to be generated from these assets relative to current borrowing rates.

Competition for these assets from local and foreign investors is expected to support property values and contribute to further compression in capitalisation rates.

Growth in non-manual labour and changes in working environments

Growth in non-manual labour employment is a fundamental driver of demand for office space. During the five years to 2013-14, employment in this segment is estimated to have grown at an annualised rate of 2.5%.

The current trend in working environments is a shift from single-person desks to communal spaces. Several large organisations have made or are in the process of making this transition. The impact of this is that current tenants will require less space per employee.

In addition, improvements in technology are enabling employees to work from various locations, supporting a trend towards decentralised business districts and less reliance office space in CBD areas.

While growth in non-manual labour is forecast to grow at a annualised rate of 1.8% during the five years to 2018-19, this may not translate directly to an increase in demand for office space as it is expected to be partially offset by the above trends putting downward pressure on the office space required by existing tenants.

Outlook

IBISWorld estimates that office sector revenue will grow at an annualised rate of 5% during the five years to 2018-19. Growth is expected to be greater in the latter part of this forecast period and be supported by positive growth in white-collar employment as a result of improving business confidence.

The Australian office property industry is expected to continue to attract strong interest from local and offshore investors.

Residential property development

This sector consists of companies engaged in the development and construction of residential property including individual houses, multi-unit apartments and townhouses.

Demand for residential housing construction is principally affected by population growth and home ownership affordability, which is in turn affected by factors including economic conditions, interest rates, consumer sentiment and the availability of funding.

Current trends in the key drivers of residential construction are outlined below.

Interest rates and lending growth

The prevailing residential mortgage rate has a fundamental impact on demand for residential property. Reductions in the benchmark cash rate to record lows by the Reserve Bank of Australia have stimulated demand in this sector. At present, interest rates are widely expected to remain on hold for the remainder of 2014, before beginning to rise in 2015.

Interest rates affect the demand for housing both for personal use and investment purposes. Growth in lending has increased during the past year, with an increase of 20% and 50% year-on-year for owner-occupiers and housing investors, respectively.

Population growth

Sydney and Melbourne continue to experience strong population growth, at an annualised rate of 1.6% and 2.0% respectively over the last five years, compared to 1.7% nationally.

Australia's population is expected to grow by about 1.4% annually during 2013-18, corresponding to a growth of about 1.7 million people in 2018 (over 2013). Increasing population (including net overseas immigration) is expected to support demand for residential property, as well as other real estate assets.

Economic conditions and employment

The Reserve Bank of Australia (RBA) employment growth will remain weak for the rest of this year as businesses' demand for labour remains soft due to slower growth in output. With labour force growth expected to continue to outpace employment growth, the unemployment rate is forecast to peak at 6.2% around the end of this year 2014/ early 2015.

However, employment growth should pick up from the second half of 2015 and average 2.1% over the calendar year 2016. This will see the unemployment rate drop to 5.6% by the end of 2016. This improvement in employment conditions is expected to support demand for residential property.

Shift in demand to medium and high density

During 2009-13, there has been a shift in the composition of demand for residential property, with multi-unit apartment and townhouse construction growing by 6.1% annually, while housing construction declined during the same period. The industry has benefited from the long-term shift of investments towards the higher density housing, such as multi-unit apartment market as compared to single-unit housing, as many people are moving into inner-city areas that are closer to the work-place.

Recent performance and outlook

During the five years to 2013-14, the industry is estimated to have remained flat in terms of revenue growth. There have been notable improvements during 2013-14, driven by record low interest rates encouraging lending growth.

IBISWorld estimates that industry revenue will grow at an annualised rate of 2% during the five years to 2018-19. The value of new multi-unit housing construction and new single-unit housing is expected to increase at 1.3% and 3.5% respectively.

Commercial and industrial property development

The companies in this industry are engaged in the development and construction of Commercial & Industrial non-residential buildings such as offices, factories, retail buildings, recreation buildings, hotels, and other business premises.

Recent performance and outlook

The Australian Commercial & Industrial property market declined at an estimated annualised rate of 5.5% during the five years to 2013, due to low occupancy rates and declining property yields. The stimulus withdrawals by the Australian government also lead to a decline in Commercial & Industrial property construction during 2010-13. Many property developers also limited investments due to the oversupplied office and retail building markets and put a number of planned projects on hold.

IBISWorld estimated that the Commercial & Industrial market will grow at an annualised rate of 3% during the five years to 2017-18. This growth is expected to be driven by the rebound of investment in the non-residential property market as a result of low interest rate and improved liquidity conditions.

Appendix 6 – Investment property portfolio

We note the Investment Property Portfolio as at 31 December 2013 does not include the first half 2014 net revaluation gain of approximately $76 million as detailed in the ASX announcement dated 30 May 2014.

Property	Suburb	31-Dec-13 book value ($ millions)	Capitalisation Rate (%)
Industrial properties			
227 Walters Road	Arndell Park	23.0	8.5%
2 Wonderland Drive	Eastern Creek	41.5	8.5%
4 Kangaroo Avenue	Eastern Creek	24.0	7.5%
6 Butu Wargun Drive	Greystanes	25.3	8.8%
8 Butu Wargun Drive	Greystanes	30.5	8.5%
10 Butu Wargun Drive	Greystanes	33.0	8.8%
35 Huntingwood Drive	Huntingwood	34.6	8.3%
Lot 2 Inner Circle	Port Kembla	21.9	9.5%
8 Distribution Place	Seven Hills	19.0	8.4%
8 Stanton Road	Seven Hills	15.2	8.3%
10 Stanton Road	Seven Hills	11.3	8.0%
99 Station Road	Seven Hills	15.0	8.3%
80 Hartley Street	Smeaton Grange	57.5	8.5%
47-59 Boundary Road	Carole Park	12.0	9.3%
57-71 Platinum Street	Crestmead	27.0	8.2%
51 Stradbroke Street	Heathwood	21.0	8.0%
30 Flint Street	Inala	21.5	7.8%
5-7 Trade Street	Lytton	20.4	8.8%
286 Queensport Road	Murarrie	27.1	7.5%
350 Earnshaw Road	Northgate	47.6	8.2%
63-99 Sandstone Place, Southlink Business Park	Parkinson	176.6	7.5%
44 Cambridge Street	Rocklea	15.8	10.3%
99 Shettleston Street	Rocklea	19.5	8.3%
5 Butler Boulevard	Adelaide Airport	7.6	9.9%
18-20 Butler Boulevard	Adelaide Airport	8.8	10.0%
20-22 Butler Boulevard	Adelaide Airport	10.3	9.8%
Lot 102 Coghlan Road	Outer Harbor	7.0	8.5%
610 Heatherton Road	Clayton South	25.1	8.5%
22-28 Bam Wine Court	Dandenong South	18.4	8.3%
10-32 South Park Drive	Dandenong South	11.3	8.3%
21-33 South Park Drive	Dandenong South	18.4	9.0%
63-71 South Park Drive	Dandenong South	13.0	8.3%
89-103 South Park Drive	Dandenong South	9.3	8.8%
98-126 South Park Drive	Dandenong South	17.8	9.3%
468 Boundary Road	Derrimut	22.0	9.0%
1-15 Sunline Drive	Derrimut	24.7	8.3%
1 West Park Drive	Derrimut	8.2	9.3%
64 West Park Drive	Derrimut	19.0	8.3%

Property	Suburb	31-Dec-13 book value ($ millions)	Capitalisation Rate (%)
23 Scanlon Drive	Epping	12.9	9.0%
170 Atlantic Drive	Keysborough	28.6	8.2%
49-71 Pacific Drive	Keysborough	24.5	8.0%
Lots 1 and 2 Atlantic Drive	Keysborough	28.6	8.4%
2-46 Douglas Street	Port Melbourne	23.0	9.5%
20 Thackray Road	Port Melbourne	14.7	8.0%
17-23 Jets Court	Tullamarine	7.3	9.5%
25-29 Jets Court	Tullamarine	11.4	9.5%
96-106 Link Road	Tullamarine	26.4	9.0%
28-32 Sky Road East	Tullamarine	8.0	9.8%
38-52 Sky Road East	Tullamarine	21.0	9.0%
115-121 South Centre Road	Tullamarine	6.0	9.5%
Hudswell Road	Perth Airport	23.8	10.7%
Office properties			
Tower A, 197-201 Coward Street	Mascot	59.0	7.8%
Tower B, 197-201 Coward Street	Mascot	39.0	8.3%
1B Homebush Bay Drive	Rhodes	64.2	8.0%
1D Homebush Bay Drive	Rhodes	92.5	7.5%
1F Homebush Bay Drive	Rhodes	86.4	7.8%
66 Goulburn Street[1]	Sydney	63.0	7.8%
20 Lee Street, Henry Deane Building	Sydney	46.8	8.5%
26-30 Lee Street, Gateway Building	Sydney	75.4	8.0%
1E Homebush Bay Drive	Rhodes	6.0	7.8%
97 School Street	Spring Hill	6.5	9.5%
138 Ferny Avenue	Surfers Paradise	0.2	6.0%
357 Collins Street	Melbourne	198.9	6.8%
690 Springvale Road & 350 Wellington Road	Mulgrave	78.6	9.0%
658 Church Street	Richmond	35.3	8.3%
2 Southbank Boulevard[1]	Southbank	204.1	6.9%
28 Southbank Boulevard[1]	Southbank	119.6	7.0%
Freshwater Place, Public Car Park	Southbank	15.3	7.5%
Total investment property portfolio		**2,388**	**7.98%[2]**

Source: Australand Annual Report for the full year to 31 December 2013
Note 1: 66 Goulburn Street, Sydney, 2 Southbank Boulevard, Melbourne and 28 Southbank Boulevard, Melbourne have a 50% ownership interest by Australand. All remaining investment properties are 100% owned by Australand
Note 2: Represents the WACR of the investment property portfolio

Appendix 7 – Glossary

Abbreviation	Description
A-REIT	Australian Real Estate Investment Trust
Allowed Distribution	A distribution per Stapled Security of no more than 12.75 cents for the half year ending 31 December 2014 pro rata for the number of days from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014 (both dates inclusive)
AHL	Australand Holdings Limited (ABN 12 008 443 696)
AIL	Australand Investments Limited (ABN 12 086 673 092 AFS Licence No. 228837), responsible entity of APT4 and APT5
APESB	Accounting Professional & Ethical Standards Board
APL	Australand Property Limited (ABN 90 105 462 137 AFS Licence No. 231130), the responsible entity of APT and ASSETS Trust
APT	Australand Property Trust (ARSN 106 680 424)
APT4	Australand Property Trust No 4 (ARSN 108 254 413)
APT5	Australand Property Trust No.5 (ARSN 108 254 771)
ASIC	Australian Securities and Investments Commission
ASSETS	the preference units in the ASSETS Trust
ASSETS Trust	Australand ASSETS Trust (ARSN 115 338 513)
ASX	Australian Securities Exchange
Australand	AHL, APT, APT4 and APT5
Australand Board	Board of directors of Australand
Australand Performance Right	A performance right granted by Australand under the Performance Rights Plan
Australand Performance Rights Plan	The Performance Rights Plans of Australand
Australand Property Group	A stapled group that comprises AHL, APT, APT4 and APT5 and each of their controlled entities
Australand Securityholder	A holder of one or more Stapled Security
BIA	Bid Implementation Agreement
Bidder	Frasers Amethyst Pte. Ltd., incorporated in the Republic of Singapore and a wholly owned subsidiary of Frasers
Bidder's Statement	The Bidder's Statement in relation to the Offer, prepared by the Bidder and dated 1 July 2014
Business Day	Has the meaning given in the ASX Listing Rules
CAGR	Compound annual growth rate
CapitaLand	CapitaLand Limited (Incorporated in the Republic of Singapore) Company Registration No. 198900036N
CAPM	Capital asset pricing model
CBD	Central Business District
CFO	Chief Financial Officer
Corporations Act / the Act	Corporations Act 2001 (Cth)
DCF	Discounted cash flow
Development Divisions	Commercial & Industrial division and Residential division
EBIT	Earnings before interest and tax

Abbreviation	Description
EBITDA	Earnings before interest, tax depreciation and amortisation
EGM	Executive General Manager
FFO	Funds from operations
FIRB	Foreign Investment Review Board
Frasers	Frasers Centrepoint Limited, incorporated in the Republic of Singapore, Company Registration No. 196300440G
FYxx	Financial Year xx
IER	Independent Expert Report
JO	Joint Ownership
JV	Joint Venture
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
LTI	Long-term incentive
LTM	Last twelve months of available financial information
MR	Management Rights
n/a	Not available
NPAT	Net profit after tax
NTM	Next twelve months (based upon broker forecasts)
NTA	Net tangible assets
Offer	The conditional proposal from the Bidder to acquire 100% of Australand's Stapled Securities via an off-market takeover offer
Offer Period	The period during which the Offer will remain open for acceptance in accordance with Section 7.2 of the Bidder's Statement
Offer Price	The consideration of the Offer is $4.48 for each Australand Security.
PDA	Precinct Development Agreement
P/E	Price to earnings
Record Date	The date set by the Bidder under section 633(2) of the Corporations Act.
RG	Regulatory Guide
ROACE	Return on average capital employed
Securityholders	Securityholders of Australand
SOTP	Sum-of-the-parts
Stapled Security	One ASX-listed stapled security consisting of one share in AHL and one unit in each of APT, APT4 and APT5
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry

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PART TWO – FINANCIAL SERVICES GUIDE

Dated 14 July 2014

What is a Financial Services Guide (FSG)?

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

This FSG includes information about:

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

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a Target's Statement.

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

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

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment Offers excluding investor directed portfolio services;
- securities, and
- superannuation,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.

The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

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

KPMG Corporate Finance has been engaged by Australand Property Group (Client) to provide general financial product advice in the form of a Report to be included in the Target's Statement (Document) prepared by the Client in relation to the offer by Frasers Amethyst Pte. Ltd. (the Offer).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

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

General Advice

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

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

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

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

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance $400,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any

engagement for the provision of general financial product advice in the Report.
Further details may be provided on request.

Referrals

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

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's Independent Directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.
From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.
KPMG entities have provided, and continue to provide, a range of tax and advisory services to the Client for which professional fees are received. Over the past two years professional fees in the order of $56,963 have been received from the Client. No individual involved in the preparation of the Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.
KPMG Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.
Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address:	Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone:	1300 78 08 08
Facsimile:	(03) 9613 6399 Email: info@fos.org.au.

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

Compensation arrangements

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

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:
KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Mr Ian Jedlin
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7000

ASX ANNOUNCEMENTS SINCE 17 MARCH 2014

Date	Description
11/07/2014	Change in substantial holding
10/07/2014	Change in substantial holding
09/07/2014	Notice of status of bid conditions – FIRB approval
08/07/2014	Change in substantial holding
07/07/2014	Notice of despatch of takeover offers and Bidder’s Statement
07/07/2014	Change in substantial holding from AMP
04/07/2014	Becoming a substantial holder
03/07/2014	Change in substantial holding
02/07/2014	Becoming a substantial holder
02/07/2014	Becoming a substantial holder
01/07/2014	Bidders Statement - Off-market bid
01/07/2014	Frasers Centrepoint Limited - Announces takeover offer
01/07/2014	Australand Receives Frasers Bidder's Statement
01/07/2014	Australand Enters Into Bid Implementation Agreement
26/06/2014	Change in substantial holding from AMP
24/06/2014	Becoming a substantial holder
23/06/2014	Australand Sells Civic Tower
18/06/2014	Resignation of Director
17/06/2014	Interim Distribution for the Half Year Ending 30 June 2014
17/06/2014	Change in substantial holding
16/06/2014	Ceasing to be a substantial holder
16/06/2014	Change in substantial holding from MS
13/06/2014	Ceasing to be a substantial holder from CBA
13/06/2014	Becoming a substantial holder
13/06/2014	Becoming a substantial holder from MS
12/06/2014	Change in substantial holding from CBA
11/06/2014	Cease Notice - WBC
11/06/2014	Ceasing to be a substantial holder from BTT
11/06/2014	Frasers Centrepoint Limited Proposal re SGX waiver
11/06/2014	ASSETS
10/06/2014	Becoming a substantial holder
06/06/2014	Change in substantial holding from BTT
06/06/2014	Change in substantial holding from WBC
06/06/2014	Change in substantial holding from AMP
05/06/2014	Change in substantial holding from AMP
04/06/2014	SGP: Update on Australand Proposal

04/06/2014	Proposal from Frasers Centrepoint Limited
04/06/2014	Proposal from Frasers Centrepoint Limited
03/06/2014	Change in substantial holding from AMP
30/05/2014	Change in substantial holding from CBA
30/05/2014	SGP: Update on Australand Proposal
30/05/2014	GROUP UPDATE AND ENGAGEMENT WITH STOCKLAND
28/05/2014	Proposal from Stockland Group
28/05/2014	SGP: Increased and Final Proposal to Acquire Australand
19/05/2014	Australand Preferred Purchaser on Sydney Residential Site
15/05/2014	Change in substantial holding
13/05/2014	Australand secures residential infill sites
07/05/2014	Australand secures rights to develop a new industrial estate
23/04/2014	SGP: Stockland Confirms Non-Binding Proposal for Australand
23/04/2014	Rejection of Proposal from Stockland Group
22/04/2014	Amended Consolidated Constitutions of APT, APT4 and APT5
17/04/2014	Amended Consolidated Constitution
16/04/2014	2014 A&GM Outcome of Resolutions
16/04/2014	2014 A&GM Presentation Slides
16/04/2014	2014 A&GM Chairman's Managing Director's Address
11/04/2014	Annual and General Meetings Webcast Details
11/04/2014	Becoming a substantial holder
25/03/2014	Ceasing to be a substantial holder
25/03/2014	2014 Operating earnings and distribution guidance and update
25/03/2014	Ceasing to be a substantial holder
24/03/2014	Becoming a substantial holder from CBA
21/03/2014	Becoming a substantial holder
21/03/2014	Becoming a substantial holder from SGP
20/03/2014	Change in substantial holding from AMP
20/03/2014	Final Director's Interest Notice
19/03/2014	Australand appoints Independent Chairman
19/03/2014	AAZ: CapitaLand's Interest in Australand
19/03/2014	CapitaLand's Interest in Australand
19/03/2014	SGP: Stockland Acquires Strategic Stake in Australand
19/03/2014	Trading Halt
17/03/2014	Notice of Meetings, Proxy Form and Question Form
17/03/2014	Financial Report to securityholders
17/03/2014	Annual Report to securityholders

Corporate Directory

Board of Directors

Paul Isherwood (Non-Executive Chairman)
Bob Johnston (Managing Director)
Stephen Newton (Non-Executive Director)
Nancy Milne (Non-Executive Director)
Robert (Bob) Prosser (Non-Executive Director)
Beth Laughton (Non-Executive Director)

Company Secretary

Bev Booker

Registered Office

Level 3, 1C Homebush Bay Drive
Rhodes NSW 2138

Legal Advisers

King & Wood Mallesons
Level 61 Governor Philip Tower
1 Farrer Place
Sydney NSW 2000

Financial Advisers

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

Macquarie Capital (Australia) Limited
No.1 Martin Place
Sydney NSW 2000

Share Registry

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Locked Bag A14
Sydney South NSW 1235

australand.com.au