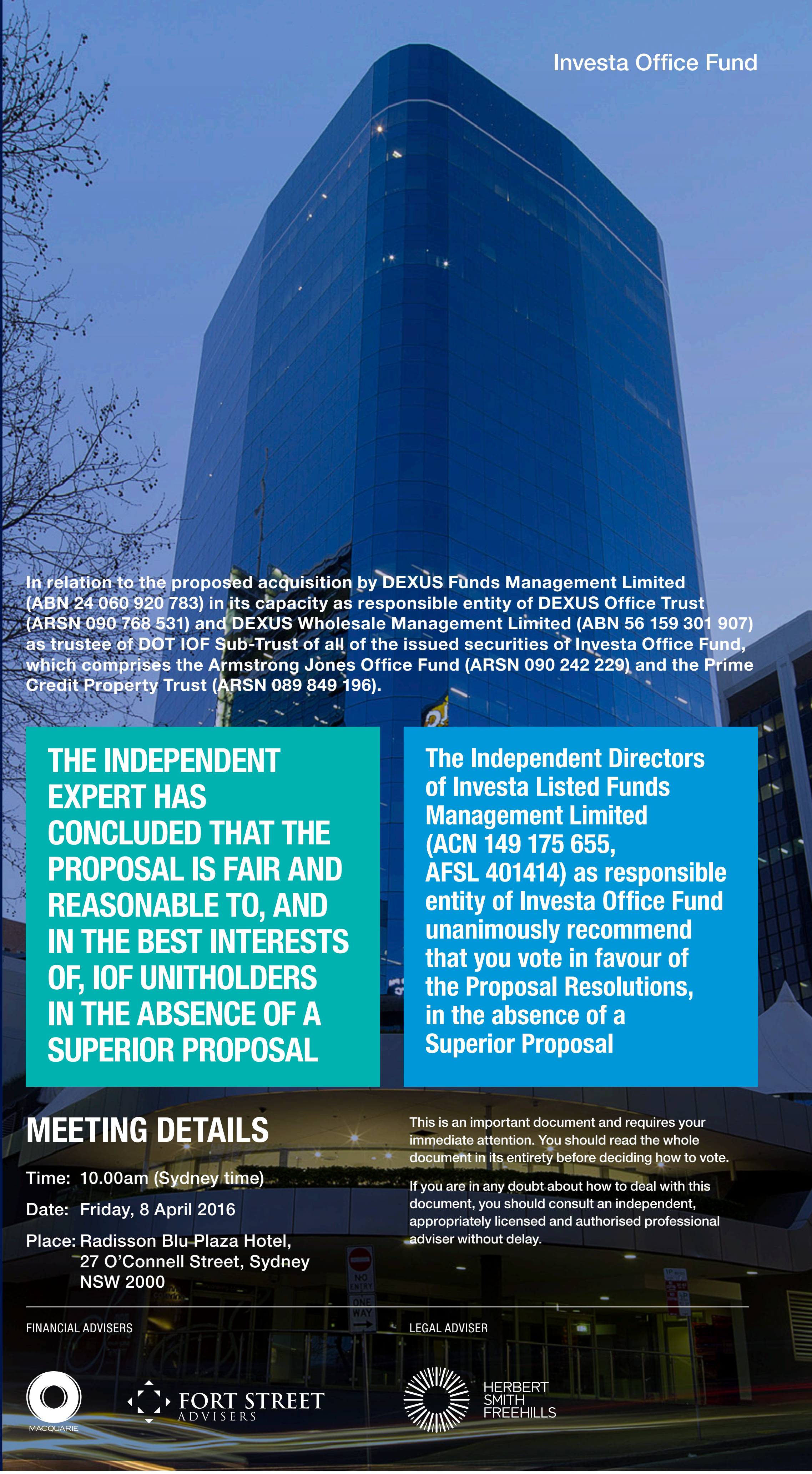
IOF

NOTICE OF MEETING AND EXPLANATORY MEMORANDUM



Investa Office Fund

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

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE PROPOSAL IS FAIR AND REASONABLE TO, AND IN THE BEST INTERESTS OF, IOF UNITHOLDERS IN THE ABSENCE OF A SUPERIOR PROPOSAL

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

MEETING DETAILS

Time: 10.00am (Sydney time)

Date: Friday, 8 April 2016

Place: Radisson Blu Plaza Hotel,
27 O'Connell Street, Sydney
NSW 2000

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

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

FINANCIAL ADVISERS

MACQUARIE

FORT STREET ADVISERS

LEGAL ADVISER

HERBERT SMITH FREEHILLS

INVESTA

Disclaimer and important notices

General

This Explanatory Memorandum is important and requires your immediate attention. You should read this Explanatory Memorandum in full before making any decision as to how to vote at the Meeting. If you have sold all of your IOF Units, please ignore this Explanatory Memorandum.

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

Purpose of this document

This Explanatory Memorandum has been prepared for IOF Unitholders in connection with the extraordinary general meeting to be held on Friday, 8 April 2016 in relation to the Proposal under which the Bidder proposes to acquire all of the IOF Units on issue. The purpose of this Explanatory Memorandum is to provide IOF Unitholders with information about the Proposal and with information that is prescribed or otherwise which the Independent Directors believe to be material to deciding whether or not to approve the Proposal Resolutions detailed in the Notice of Meeting included as Attachment 4 to this Explanatory Memorandum.

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

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

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

Court involvement

The Court provided the First Judicial Advice on 8 March 2016. The Court's provision of the First Judicial Advice is not and should not be treated as an endorsement by the Court of, or any other expression of opinion by the Court on, the Proposal. In particular, the Court's provision of the First Judicial Advice does not mean that the Court:

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

Notice of Second Judicial Advice hearing

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

Any IOF Unitholder may appear at the Second Judicial Advice hearing, expected to be held on Tuesday, 12 April 2016 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney.

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

Responsible entity

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

Defined terms

Capitalised terms used in this Explanatory Memorandum are defined in Section 15 of this Explanatory Memorandum. Section 15.2 of this Explanatory Memorandum also sets out some rules of interpretation which apply to this Explanatory Memorandum.

No investment advice

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

This Explanatory Memorandum is important and requires your immediate attention. It should be read in its entirety before making a decision on whether or not to vote in favour of the Proposal Resolutions. In particular, it is important that you consider the potential risks of the Proposal, as set out in Section 11 of this Explanatory Memorandum, and the views of the Independent Expert set out in the Independent Expert's Report contained in Attachment 2 to this Explanatory Memorandum.

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

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

Forward looking statements

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

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

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

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

The historical financial performance of IOF or DEXUS is no assurance or indicator of future financial performance of the Merged Group (or IOF or DEXUS in the scenario where the Proposal does not proceed). Neither IOF nor DEXUS guarantees any particular rate of return or the performance of the Merged Group, nor do they guarantee the repayment of capital or any particular tax treatment in respect of any investment in the Merged Group.

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

Responsibility statement

Except as outlined below, the information contained in this Explanatory Memorandum other than the DEXUS Information, the Taxation Report, the Investigating Accountant's Report and the Independent Expert's Report has been prepared by ILFML and is its responsibility alone. Except as outlined below, neither DEXUS nor any of its Controlled Entities, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

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

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

KPMG Corporate Finance has prepared the Independent Expert's Report (as set out in Attachment 2 to this Explanatory Memorandum) and takes responsibility for that report.

PwCS has prepared the Investigating Accountant's Report (as set out in Attachment 3 to this Explanatory Memorandum) and takes responsibility for that report.

Greenwoods & Herbert Smith Freehills Pty Limited has prepared the Taxation Report (as set out in Section 13 of this Explanatory Memorandum) and takes responsibility for that report.

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

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

Foreign jurisdictions

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

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

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

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

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

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

Financial amounts

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

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

Charts, maps and diagrams

Any diagrams, charts, maps, graphs or tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at 31 December 2015.

Effect of rounding

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

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

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

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

Timetable and dates

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

All times and dates relating to the implementation of the Proposal referred to in this Explanatory Memorandum may change and, among other things, are subject to all necessary approvals from regulatory authorities.

Implied value

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

Privacy

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

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

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

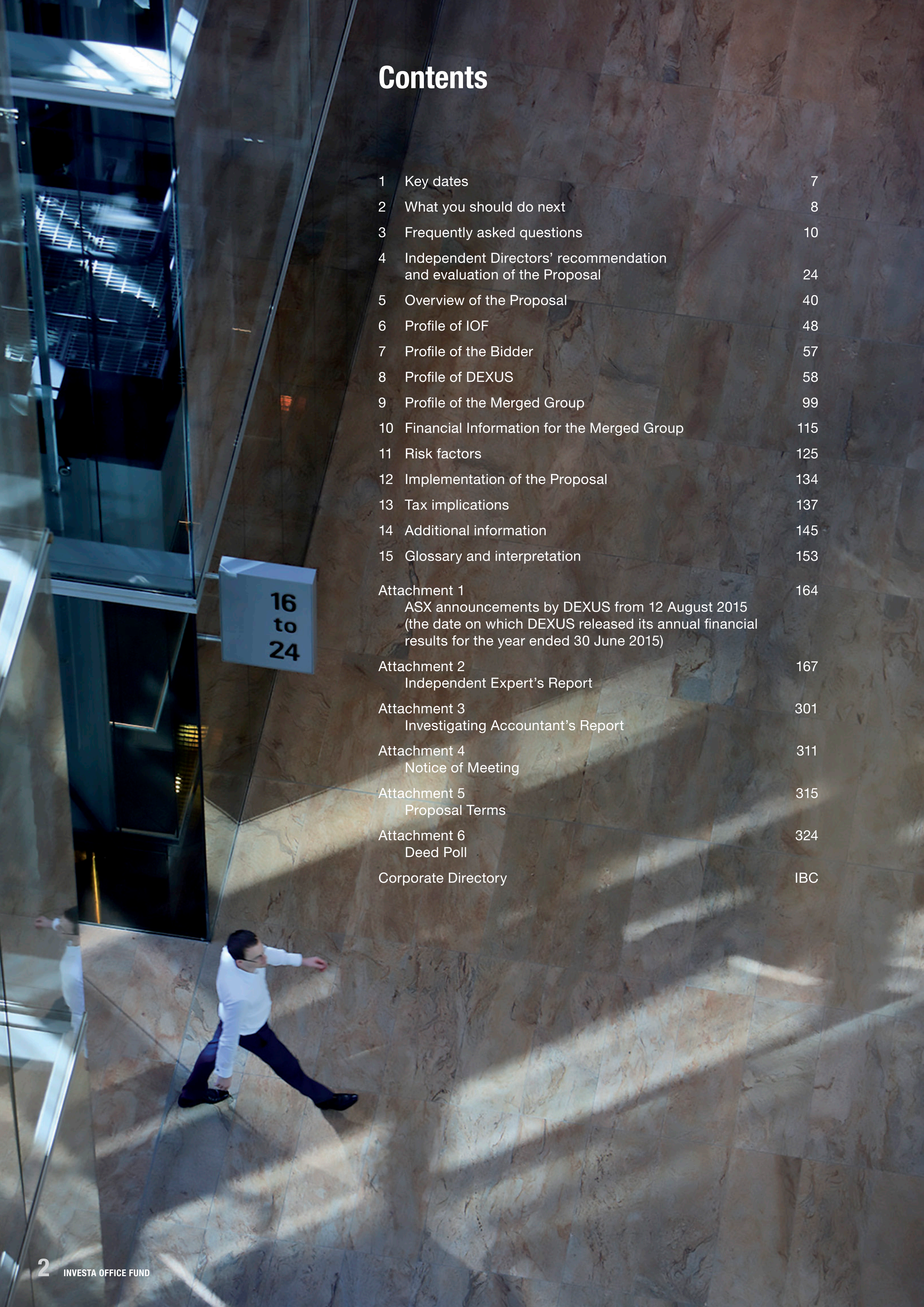
IOF Unitholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should ensure that they inform such an individual of the matters outlined above.

Additional information

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

Date of Explanatory Memorandum

This Explanatory Memorandum is dated 9 March 2016.



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Letter from the Chairman of Investa Office Fund

9 March 2016

Dear IOF Unitholder,

On 18 December 2015, Investa Listed Funds Management Limited (**ILFML**), the responsible entity of Investa Office Fund (**IOF**), announced that it had entered into an Implementation Agreement with DEXUS Funds Management Limited as responsible entity of DEXUS Property Group (**DEXUS RE**) in relation to a proposal from DEXUS RE to acquire all of the units in IOF (**Proposal**).

This Explanatory Memorandum sets out the details of that Proposal, the recommendation of the Independent Directors and the details of the extensive process that the Independent Directors have undertaken to arrive at that recommendation. The Explanatory Memorandum also contains a detailed report from an independent expert, KPMG Corporate Finance, opining on the merits of the Proposal.

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

The Independent Expert has concluded that the Proposal "is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal."

Background and IOF strategic review

Since March 2011, IOF has been managed by Investa Property Group. From March 2011 to until a few days before the date of this Explanatory Memorandum, IOF's manager was controlled by funds associated with Morgan Stanley Real Estate Investing (**Morgan Stanley**). In February 2015, Morgan Stanley commenced a formal process to divest its interest in Investa Property Group (**Morgan Stanley Sale Process**). On 22 February 2016, Investa Wholesale Funds Management Limited (**IWFML**), announced it had entered into a binding agreement to purchase all of the shares in Investa Office Management Holdings Pty Ltd (**IOMH**), the owner of Investa Office Management Pty Ltd (**IOM**), IOF's manager (**Platform Sale**). The Independent Directors have been advised that the Platform Sale has completed and that a company stapled to the Investa Commercial Property Fund (**ICPF**) has acquired the shares in IOMH. The Independent Directors have requested further information in relation to the Platform Sale from Morgan Stanley and IWFML.

The completion of the Platform Sale does not affect the Proposal by Bidder to acquire all of the IOF Units, or implementation of the Proposal and DEXUS RE's intentions expressed in this Explanatory Memorandum. The Independent Directors' recommendation that IOF Unitholders vote in favour of the Proposal is also not affected by the Platform Sale.

The Morgan Stanley Sale Process led to a level of uncertainty in relation to the ongoing management of IOF. As a result, the Independent Directors commenced a full strategic review with the objective of maximising value for all IOF Unitholders by exploring an extensive range of ongoing management and ownership options for IOF. The strategic review was undertaken over a period of approximately four months, and involved a comprehensive analysis of the alternatives available to IOF.

The strategic review considered the continued external management of IOF (by ICPF and others), joint ownership of the Investa Office Management Platform with ICPF, a standalone internalisation of IOF, and a sale of IOF or its individual assets.

In comparing these alternatives, the Independent Directors had regard to a range of issues, in particular:

> the proposed **governance structure and conflicts** arrangements under each alternative, recognising a desire to offer IOF Unitholders the opportunity to transition to internal management, a governance structure that has been adopted by IOF's listed peer group, that represents the preferred structure of many listed REIT investors, and had been communicated to IOF Unitholders as a strategic milestone since 2011;

> the **value proposition** of any alternative, including, where applicable, an appropriate control premium, the impact on IOF earnings and distributions, as well as qualitative factors such as the impact on IOF's risk profile, scale and earnings and portfolio diversification; and

> the **capability of the management platform** which would be responsible for the management of IOF Unitholders' funds under each alternative.

The Independent Directors consider that the Proposal is the most attractive opportunity available to IOF Unitholders, having undertaken a comprehensive strategic review of an extensive range of options available to IOF.

Further detail about the alternatives considered is set out in Section 4.2 of this Explanatory Memorandum.

Proposal overview

If the Proposal is implemented, IOF Unitholders who elect, or are deemed to have elected, the Standard Consideration will receive $0.8229 in cash and 0.4240 new DEXUS Securities for each IOF Unit.

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

Proposal – Valuation metrics		DEXUS 10-Day VWAP (to 4 Dec 15)	DEXUS 5-Day VWAP (to 4 Dec 15)	DEXUS close (4 Dec 2015)	DEXUS close (3 Mar 2016)
DEXUS Security price		$7.76	$7.79	$7.65	$7.85
Implied Announcement Value		$4.11	$4.13	$4.07	$4.15
Premia to:					
IOF Close 13 August 2015[a]	$3.72	10.6%	10.9%	9.3%	11.6%
IOF Close 4 December 2015[b]	$3.83	7.4%	7.7%	6.2%	8.4%
IOF 1-month VWAP to 4 December 2015	$3.86	6.7%	7.0%	5.4%	7.6%
IOF 31 December 2015 NTA	$3.98	3.4%	3.8%	2.3%	4.3%

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

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

IOF's closing price on 3 March 2016 was $4.05.

As an alternative to the Standard Consideration, a 'mix and match' facility is available where IOF Unitholders have the option to elect to receive the consideration under the Proposal in the following ways:

> Maximum Cash Consideration: equal to the Implied Announcement Value[1], being $4.1147 per IOF Unit in cash; or

> Maximum Scrip Consideration: equal to the Scrip Equivalent of the Implied Offer Number, being 0.53 DEXUS Securities (rounded to two decimal places) per IOF Unit,

subject to any scale-back. The scale-back which may apply to the Maximum Cash Consideration and Maximum Scrip Consideration is described in Sections 5.3(b) and 5.3(c) of this Explanatory Memorandum. The extent of the scale-back will depend on the Elections received. IOF Unitholders are not guaranteed to receive the form of Proposal Consideration they have elected to receive.

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

Why should IOF Unitholders vote in favour of the Proposal?

If implemented, the Proposal is expected to provide IOF Unitholders who receive new DEXUS Securities with an investment in a Merged Group that will form Australia's pre-eminent, internally managed office property group, in addition to the following benefits:

> significant earnings and distribution accretion: the Proposal is expected to deliver annualised headline FY16 FFO accretion of 17.5%[2] per IOF Unit;

> combination of two complementary office portfolios: the Merged Group will own a high quality $12.3 billion office portfolio being 88% weighted to Premium and A-Grade assets with 75% exposure to New South Wales and Victoria;

> investment in a larger more diversified office portfolio: the scale and diversification of the Merged Group's portfolio will reduce exposure to any particular tenant or asset and providing an increased ability to manage tenant demands, leasing and vacancies;

> exposure to additional revenue streams: including Third Party Funds Management, property services, Trading Profits and the development pipeline of DEXUS;

> enhanced governance and alignment of interests: for IOF Unitholders, a transition to internal management which is expected to provide alignment between asset ownership and management and is expected to deliver a management expense ratio of below 35 basis points for the Merged Group; and

> greater relevance for equity and debt investors: leading to improved liquidity for IOF Unitholders and an expectation of improved equity and debt pricing for the Merged Group.

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[1] The Implied Announcement Value comprises cash of $0.8229 and 0.4240 new DEXUS Securities, with the value of DEXUS Securities taken to be the DEXUS 10-day VWAP leading up to 4 December 2015, being the last trading day prior to announcement of the Proposal.

[2] Based on the Scrip Equivalent of the Implied Offer Number.

Risks and disadvantages of the Proposal

The Independent Directors acknowledge that there may be potential risks and disadvantages associated with the Proposal which may include:

> change in nature of the investment: IOF Unitholders who receive new DEXUS Securities as part of their Proposal Consideration will have exposure to the more diverse operations of DEXUS;

> reduction in IOF's equivalent net tangible asset value per IOF Unit: the Proposal is expected to result in IOF's equivalent net tangible asset value per IOF Unit reducing by 3.9%[3];

> the Merged Group is expected to have a higher target gearing range than IOF: the target gearing range of the Merged Group is expected to align with that of DEXUS, being 30% to 40% (versus 25% to 35% for IOF);

> potential variability in the implied offer price due to movements in the DEXUS Security price; and

> default provisions on USPP and MTN: these could be triggered by the Proposal or implementation of DEXUS RE's intentions post implementation of the Proposal. If such provisions are triggered, it could lead to early repayment obligations. Although ILFML on behalf of DEXUS RE for IOF is seeking consents and waivers from the USPP and MTN holders to enable all aspects of the Proposal and the Post Implementation Steps to be implemented without triggering such provisions, DEXUS RE is confident that if triggered, it will be able to fund those obligations.

The Independent Directors gave careful consideration to these issues in coming to their recommendation. The benefits and potential disadvantages of the Proposal to IOF Unitholders are set out in further detail in Section 4 of this Explanatory Memorandum.

Independent Expert's Report

The Independent Directors have appointed KPMG Corporate Finance as the Independent Expert to provide an opinion on the Proposal.

The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal.

Attachment 2 of this Explanatory Memorandum contains a copy of the Independent Expert's Report.

Implementation

The Proposal requires the approval of IOF Unitholders at a Meeting to be held on 8 April 2016 at Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney NSW 2000.

The Proposal is also subject to a number of other customary conditions including receipt of judicial advice from the Court and regulatory approvals. An explanation of the Conditions Precedent to the Proposal are set out in Sections 5.2 and 14.3 of this Explanatory Memorandum.

The obligations of ILFML and DEXUS RE regarding the implementation of the Proposal, the deal protections and reimbursement fee of $23.52 million are set out in the Implementation Agreement entered into by both parties. A full copy of this agreement was attached to ILFML's announcement to the ASX on 18 December 2015 and its key terms are summarised in Sections 5.2 and 14.3 of this Explanatory Memorandum.

Under the Implementation Agreement, ILFML must pay to DEXUS RE a reimbursement fee of $23.52 million if certain specified events occur, including if any of the Independent Directors recommend a Competing Transaction. However, the reimbursement fee will not be payable merely because the Proposal Resolutions are not approved at the Meeting.

DEXUS RE intends to fund the Cash Component of the Proposal Consideration and pay an estimated $94 million of associated transaction costs through, amongst other things, loan facilities under agreements that DEXUS RE has entered into with banks. Further details of this are set out in Section 9.3 of this Explanatory Memorandum. DEXUS RE will fund the Scrip Component of Proposal Consideration through the issue of new DEXUS Securities.

ILFML estimates that it will have incurred or committed to one-off transaction costs of approximately $3.6 million in relation to the Proposal. These costs will be payable by ILFML regardless of whether the Proposal is implemented or not.

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[3] Based on the Scrip Equivalent of the Implied Offer Number.

Next steps

This Explanatory Memorandum contains important information in relation to the Proposal, and should be read carefully before making your decision and voting at the Meeting.

This Explanatory Memorandum should not be relied upon as the sole basis for any investment decision. I encourage you to seek advice from an independent, appropriately licensed and authorised professional adviser before making any investment decision in relation to your IOF Units and how you vote on the Proposal Resolutions.

Votes may be cast in person, by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative. Please see the Notice of Meeting and Sections 2 and 5.5 of this Explanatory Memorandum for full details on how votes may be cast and timing requirements.

If you have any questions in relation to the Proposal, please contact the IOF Unitholder Information Line on 1300 308 902 (callers in Australia) or +61 2 9098 9228 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday.

Conclusion

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

Yours sincerely

Deborah Page AM
Chairman and Non-Executive Director
Investa Listed Funds Management Limited

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KEY DATES

IMPORTANT NOTE

Proposal to acquire all IOF Units

This is a proposal under which DEXUS Funds Management Limited as responsible entity of DEXUS Office Trust and DEXUS Wholesale Management Limited as trustee of IOF Sub-Trust (being a wholly-owned trust of DEXUS) proposes to acquire all IOF Units by way of a trust scheme.

Proposal Consideration

If the Proposal Resolutions are passed and the Conditions Precedent are satisfied or waived (if applicable) and the Proposal becomes Effective, IOF Unitholders may elect to receive either:

- Standard Consideration, being $0.8229 plus 0.4240 new DEXUS Securities per IOF Unit;
- Maximum Cash Consideration, being all cash; or
- Maximum Scrip Consideration, being consideration provided only in new DEXUS Securities.

The provision of Maximum Cash Consideration or Maximum Scrip Consideration will be subject to a scale-back if the number of IOF Unitholders who elect Maximum Cash Consideration or Maximum Scrip Consideration exceeds the cash or scrip available to satisfy these Elections (see in particular Section 5.3 of this Explanatory Memorandum for further details regarding how the Elections and scale-back operate).

Nature of new DEXUS Securities

New DEXUS Securities will be ASX-listed stapled securities consisting of one unit in each of DDF, DIT, DOT and DXO that will rank equally with all other DEXUS Securities.

Key Dates	
Date of this Explanatory Memorandum	Wednesday, 9 March 2016
Latest time and date for receipt of Proxy Forms by the IOF Registry for the Meeting	10.00am Wednesday, 6 April 2016
Voting Record Date	7.00pm Wednesday, 6 April 2016
Time and date of the Meeting	10.00am Friday, 8 April 2016
If the Proposal Resolutions are approved and all other Conditions Precedent in connection with the Proposal are satisfied or waived (if applicable), the following key dates apply:	
Second Judicial Advice Date	Tuesday, 12 April 2016
Effective Date	Wednesday, 13 April 2016
Election Date	5.00pm Wednesday, 20 April 2016
Record Date	5.00pm Thursday, 21 April 2016
Implementation Date	Friday, 29 April 2016
New DEXUS Securities commence trading	Monday, 2 May 2016[a]

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

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

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WHAT YOU SHOULD DO NEXT

2.1 Step 1: Carefully read this Explanatory Memorandum in full

You should read this Explanatory Memorandum in full before making any decision on how to vote and which Election to make. It contains important information to assist you in deciding how to vote on the Proposal Resolutions.

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

If after reading this Explanatory Memorandum, you have any questions regarding the Proposal or the Proposal Resolutions, contact the IOF Unitholder Information Line on 1300 308 902 (callers in Australia) or +61 2 9098 9228 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday, or consult an independent, appropriately licensed and authorised professional adviser without delay.

2.2 Step 2: Vote on the Proposal

YOUR VOTE IS IMPORTANT

If you are an IOF Unitholder on the Voting Record Date you are entitled to vote on the Proposal Resolutions at the Meeting.

The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal.

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

2.3 Step 3: Make an Election

Election Forms must be returned by 5.00pm Wednesday, 20 April 2016.

IOF Unitholders may make an election to receive their Proposal Consideration as Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration. The differences between the three forms of Proposal Consideration are summarised in Section 5.3 of this Explanatory Memorandum.

An IOF Unitholder who does not make an Election, who makes an invalid Election or who becomes an IOF Unitholder after the Election Date will be deemed to have elected to receive the Standard Consideration.

IOF Unitholders who are Ineligible Overseas Unitholders may make an Election but new DEXUS Securities will not be issued to them. Instead, the Sale Agent will sell those new DEXUS Securities through the Sale Facility and the Ineligible Overseas Unitholder will receive the net proceeds of any sale in cash (after deducting any applicable taxes, duty, currency conversion or other costs and charges). IOF Unitholders who are Minimum Holders are also able to elect to participate in the Sale Facility. Further information on the Sale Facility is contained in Section 5.3(f) of this Explanatory Memorandum.

Once made, your Election will be irrevocable (unless the Bidder in its discretion agrees to the revocation of the Election) and apply to all IOF Units which you hold on the Record Date.

2.4 Details of the Meeting

A copy of the Notice of Meeting is set out in Attachment 4 to this Explanatory Memorandum. The Meeting will be held at Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney, New South Wales on Friday, 8 April 2016, commencing at 10.00am (Sydney time).

a. Business of the Meeting

The Proposal Resolutions comprise:

1. an ordinary resolution to approve the Proposal for all purposes including for the purposes of item 7 of section 611 of the Corporations Act including the acquisition of a Relevant Interest in all the IOF Units by Bidder; and
2. conditional on (1), a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the definition of "Proposal" in the IOF Constitutions and to provide that the definition includes the Proposal described in this Explanatory Memorandum and to approve that Proposal.

All Proposal Resolutions at the Meeting must be passed by the requisite majorities of IOF Unitholders for the Proposal to proceed. If all Proposal Resolutions are passed at the Meeting, ILFML will make an application to the Court to give the Second Judicial Advice.

Please see Sections 5.4 and 5.5 of this Explanatory Memorandum for further details on the Proposal Resolutions.

b. Voting entitlements

Each IOF Unitholder on the IOF Register at the Voting Record Date is entitled to attend and vote at the Meeting.

Voting is not compulsory.

A person's entitlement to vote at the Meeting will be taken to be the entitlement of that person shown on the IOF Register being 7.00pm Wednesday, 6 April 2016, unless in respect of the Proposal Resolutions, a voting exclusion applies to them.

Voting will be conducted by poll.

c. Voting in person

To vote in person at the Meeting, IOF Unitholders must attend the Meeting in person. An IOF Unitholder entitled to attend and vote at the Meeting will be admitted to the Meeting upon providing evidence of their name and address at the point of entry to the Meeting. Registration for the Meeting commences at 9.30am.

d. Voting by proxy

A Proxy Form is included with this Explanatory Memorandum.

IOF Unitholders wishing to appoint a proxy to attend and vote at the Meeting must complete and return the Proxy Form in accordance with the instructions on it.

There are a number of ways Proxy Forms may be submitted:

Online: The Proxy vote can be lodged online by visiting www.linkmarketservices.com.au

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

By hand (during business hours, Monday to Friday, 9.00am – 5.00pm (Sydney time)): Investa Office Fund, C/- Link Market Services Limited, 1A Homebush Bay Drive Rhodes NSW 2138 Australia

Proxy Forms must be received by the IOF Registry by no later than 10.00am on Wednesday, 6 April 2016. If you have an attorney sign a Proxy Form on your behalf, the original or a certified copy of the power of attorney must be received by the IOF Registry at the same time as the Proxy Form (unless previously provided to the IOF Registry).

A proxy will be admitted to the Meeting upon providing evidence of their name and address at the point of entry to the Meeting.

e. Voting by attorney

You may appoint an attorney to attend and vote at the Meeting on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by ILFML at its registered office by 10.00am (Sydney time) on Wednesday, 6 April 2016, unless it has been previously provided to ILFML.

f. Voting by corporate representative

IOF Unitholders who are bodies corporate may have a corporate representative attend and vote at the Meeting on their behalf. The appointment must comply with section 253B of the Corporations Act. Persons attending the Meeting as a corporate representative should bring to the Meeting evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.

g. Further information

Please refer to the Notice of Meeting in Attachment 4 of this Explanatory Memorandum for further information on voting procedures and details of the Proposal Resolutions to be voted on at the Meeting (including who is excluded from voting on the Proposal Resolutions).

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FREQUENTLY ASKED QUESTIONS

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

QUESTION	ANSWER	MORE INFORMATION
This Explanatory Memorandum and Notice of Meeting		
Why have I received this Notice of Meeting and Explanatory Memorandum?	This is a Notice of Meeting and Explanatory Memorandum that has been sent to you because you are an IOF Unitholder and you are being asked to vote on the Proposal Resolutions. This Notice of Meeting and Explanatory Memorandum is intended to help you decide how to vote on the Proposal Resolutions at the Meeting.	Not applicable
Proposal overview		
What is the Proposal?	The Proposal involves the acquisition by the Bidder of all of the IOF Units from the Proposal Participants by way of a trust scheme facilitated by amendments to the IOF Constitution and a resolution pursuant to section 611 item 7 of the Corporations Act. If the Proposal becomes Effective and is implemented then: > the Bidder will acquire all of the IOF Units; and > Eligible IOF Unitholders will receive in accordance with their Election: – Standard Consideration, being $0.8229 cash and 0.4240 new DEXUS Securities for each IOF Unit held at the Record Date (on the terms as described in Section 5.3(a) of this Explanatory Memorandum); – Maximum Cash Consideration (on the terms, including scale-back, as described in Section 5.3(b) of this Explanatory Memorandum); or – Maximum Scrip Consideration (on the terms, including scale-back, as described in Section 5.3(c) of this Explanatory Memorandum). Each new DEXUS Security issued on implementation of the Proposal will rank equally with all existing DEXUS Securities	Section 5
What will happen to IOF if the Proposal becomes Effective and is implemented?	If the Proposal becomes Effective and is implemented, IOF will be acquired by the Bidder and an application will be made for termination of the official quotation of IOF Units on ASX, and to have IOF removed from the official list of ASX.	Section 12.10
Are there conditions to the Proposal proceeding?	Implementation of the Proposal is subject to the satisfaction or waiver (as applicable) of a number of Conditions Precedent. These Conditions Precedent are summarised in Section 5.2 and Section 14.3 of this Explanatory Memorandum.	Section 5.2 and Section 14.3
Is the Proposal conditional on the consent of the IOF debt facility providers?	The Conditions Precedent do not include obtaining consents from IOF's debt facility providers. Although the Proposal is not conditional on the consent of the IOF debt facility providers, section 9.3(b) of this Explanatory Memorandum details the debt facility provider consents which have been obtained as at the date of this Explanatory Memorandum and the steps being taken to obtain consents from the USPP and MTN holders.	Section 9.3(b)

QUESTION	ANSWER	MORE INFORMATION
Are there any termination rights?	The Implementation Agreement contains standard termination rights for both DEXUS and IOF. These termination rights include mutual termination rights if: > the Proposal Resolutions are not approved by the requisite majority at the Meeting; > before 8.00am on the Meeting Date, the Independent Expert opines in its final report that the Proposal is not in the best interests of IOF Unitholders; or > certain Conditions Precedent are not satisfied or waived (as applicable). Both ILFML and DEXUS RE have the right to terminate the Implementation Agreement if the other party becomes insolvent. DEXUS RE also has some other termination rights including if: > any Independent Director does not make a recommendation or ceases or changes their recommendation to IOF Unitholders to vote in favour of the Proposal Resolutions; or > ILFML takes material steps to implement a Competing Transaction.	Section 14.3
Have the Independent Directors considered any alternative proposals to the Proposal?	See Section 4.2 of this Explanatory Memorandum for a summary of the alternatives considered by the Independent Directors.	Section 4.2
Are there any implications of the Platform Sale for the Proposal by Bidder?	The Independent Directors have been advised that the Platform Sale involving a change in control of the ownership of IOF's manager, IOM, has completed and that a company stapled to ICPF has acquired the shares in IOMH. The completion of the Platform Sale does not affect the Proposal by Bidder to acquire all of the IOF Units, or implementation of the Proposal and DEXUS RE's intentions expressed in this Explanatory Memorandum. The Independent Directors' recommendation that IOF Unitholders vote in favour of the Proposal is not affected by the Platform Sale.	Not applicable
Independent Expert opinion and the Independent Directors' recommendation		
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal.	Independent Expert's Report (Attachment 2)
Do the Independent Directors recommend the Proposal?	The Independent Directors unanimously recommend that IOF Unitholders vote in favour of the Proposal, in the absence of a Superior Proposal.	Section 4.1
Do the Independent Directors intend to vote on the Proposal?	Due the nature of the Proposal, the Independent Directors who hold IOF Units believe the Corporations Act prohibits them from voting, but if they were able to vote, they would vote in favour of the Proposal Resolutions.	Not applicable

QUESTION	ANSWER	MORE INFORMATION
Who is entitled to participate in the Proposal?	If the Proposal Resolutions are passed and the Conditions Precedent are satisfied or waived (if applicable) and the Proposal becomes Effective and is implemented, all IOF Unitholders on the IOF Register at the Record Date will become entitled to the Proposal Consideration in respect of the IOF Units they hold at that time, subject to the terms of the Sale Facility applicable to Ineligible Overseas Unitholders and Electing Minimum Holders.	Section 12.4
What is an Ineligible Overseas Unitholder?	An Ineligible Overseas Unitholder is an IOF Unitholder whose address as shown in the IOF Register (on the Record Date) is a place outside Australia or its external territories or New Zealand (unless DEXUS RE determines that it is lawful and not unduly onerous or impracticable to issue them with new DEXUS Securities when the Proposal is implemented).	Not applicable
What if I am an Ineligible Overseas Unitholder at the Record Date?	If the Proposal Resolutions are passed and the Conditions Precedent are satisfied or waived (if applicable) and the Proposal becomes Effective and is implemented, Proposal Participants who are Ineligible Overseas Unitholders will receive cash instead of new DEXUS Securities through the Sale Facility.	Section 5.3(d) and Section 12.4
What will I receive if the Proposal becomes Effective and is implemented?	Subject to the below paragraphs, if the Proposal becomes Effective and is implemented, Proposal Participants will receive the Proposal Consideration in accordance with their valid Election, or in the absence of a valid Election a Proposal Participant will be deemed to have elected to receive the Standard Consideration. The amount of cash and new DEXUS Securities to be received by each Proposal Participant making an Election, other than an Election to receive Standard Consideration, will only be known after the Record Date, when any required scale-back has been calculated in accordance with the terms of the Proposal, and a Proposal Participant may not receive the exact Proposal Consideration chosen in their Election. Ineligible Overseas Unitholders should note that despite any Election they make (or are deemed to make) they will not receive new DEXUS Securities. Instead they will participate in the Sale Facility and receive cash instead of the new DEXUS Securities that they would have otherwise received.	Section 5.3(a)
What Elections can I make?	The Elections which Proposal Participants may make are: > Standard Consideration, being $0.8229 cash and 0.4240 new DEXUS Securities for each IOF Unit held at the Record Date (on the terms as described in Section 5.3(a) of this Explanatory Memorandum); > Maximum Cash Consideration, being $4.1147 per IOF Unit, (on the terms, including scale-back, as described in Section 5.3(b) of this Explanatory Memorandum); or > Maximum Scrip Consideration, being 0.53 (rounded to two decimal places) new DEXUS Securities per IOF Unit (on the terms, including scale-back, as described in Section 5.3(c) of this Explanatory Memorandum). Proposal Participants who are also Minimum Holders may elect to participate in the Sale Facility.	Section 5.3

QUESTION	ANSWER	MORE INFORMATION
What Elections can I make? ***continued***	Ineligible Overseas Unitholders should note that despite any Election they make (or are deemed to make) they will not receive new DEXUS Securities. Instead they will participate in the Sale Facility and receive cash instead of the new DEXUS Securities that they would have otherwise received. IOF Unitholders who do not make a valid Election will receive the Standard Consideration.	Section 5.3
Am I guaranteed to receive the Proposal Consideration I have elected to receive?	If the Proposal is approved, becomes Effective and is implemented, and you make an Election for Standard Consideration, or have not made a valid Election and you are an Eligible IOF Unitholder, you are guaranteed to receive the Standard Consideration. If you elect: > Maximum Cash Consideration, you will receive the Implied Announcement Value (being $4.1147) per IOF Unit (subject to the scale-back mechanism described in Section 5.3(b) of this Explanatory Memorandum); or > Maximum Scrip Consideration, you will receive 0.53 (rounded to two decimal places) new DEXUS Securities per IOF Unit (on the terms, including scale-back, as described in Section 5.3(c) of this Explanatory Memorandum). The amount of cash and new DEXUS Securities to be received by each Proposal Participant making an Election, other than an Election to receive Standard Consideration, will only be known after the Record Date, when any required scale-back has been calculated in accordance with the terms of the Proposal. A Proposal Participant may not receive the exact Proposal Consideration chosen in their Election. If you are an Ineligible Overseas Unitholder or Electing Minimum Holder then, despite any Election you make (or are deemed to make) you will not receive DEXUS Securities. Instead you will participate in the Sale Facility and receive cash instead of the new DEXUS Securities that you would have otherwise received.	Section 5.3
What is the scale-back?	If you elect to receive the Maximum Cash Consideration or Maximum Scrip Consideration, those Elections may be subject to a scale-back. This is because the Proposal Consideration is comprised of a fixed Total Cash Pool and Total Scrip Pool. If the proportion of Elections and IOF Units the subject of those Elections is such that the Total Cash Pool or Total Scrip Pool would be exceeded, then a scale-back will be applied to Proposal Participants' Elections as described below and in Section 5.3 of this Explanatory Memorandum to ensure those fixed limits are not exceeded. Please see Section 5.3(g) of this Explanatory Memorandum for worked examples of the outcome of Elections and scale-back, depending on the percentage of IOF Unitholders who make, or are deemed to have made, an Election for Maximum Cash Consideration and Maximum Scrip Consideration. **Maximum Cash Consideration** If a scale-back is applied to a Proposal Participant who elects to receive Maximum Cash Consideration, that Proposal Participant will receive less than the Implied Announcement Value for each IOF Unit held by that Proposal Participant on the Record Date, with the balance payable in new DEXUS Securities.	Section 5.3

QUESTION	ANSWER	MORE INFORMATION
What is the scale-back? ***continued***	**Maximum Scrip Consideration** If a scale-back is applied to a Proposal Participant who elects to receive Maximum Scrip Consideration, that Proposal Participant will receive less than the Scrip Equivalent of the Implied Offer Number of IOF Units held by that Proposal Participant on the Record Date. The balance will be paid in cash. If you are an Ineligible Overseas Unitholder or Electing Minimum Holder then, despite any Election you make (or are deemed to make) you will not receive DEXUS Securities. Instead you will participate in the Sale Facility and receive cash instead of the new DEXUS Securities that you would have otherwise received.	Section 5.3
How will fractional entitlements be treated?	Any entitlement of an Eligible IOF Unitholder under the Proposal to be provided with a fraction of a DEXUS Security will be rounded down to the nearest whole number of DEXUS Securities. Any cash amount payable to a Proposal Participant will be rounded down to the nearest whole cent.	Section 12.6
Can I change my Election?	No. Unless DEXUS RE determines otherwise in its discretion, your Election is irrevocable.	Section 5.1
What is the total maximum consideration payable by DEXUS to IOF Unitholders if the Proposal is approved, becomes Effective and is implemented?	The Proposal Consideration is comprised of a maximum fixed Total Cash Pool and Total Scrip Pool. The Total Cash Pool is $505,299,653.19 (rounded to two decimal places). The Total Scrip Pool is 260,358,754.75 (rounded to two decimal places) DEXUS Securities.	Not applicable
Benefits, potential disadvantages and risks of the Proposal		
Why should I vote in favour of the Proposal?	In considering the Proposal, the Independent Directors identified a number of benefits for IOF Unitholders which could flow from the Proposal becoming Effective and being implemented. The Independent Directors consider these benefits to be reasons why IOF Unitholders may vote in favour of the Proposal Resolutions. The benefits and reasons to vote in favour include: > the Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal; > the Proposal represents attractive value for IOF Unitholders; > the combination of two complementary portfolios will result in a larger more diversified office portfolio, with greater relevance for equity and debt investors; > IOF Unitholders who receive new DEXUS Securities as part of the Proposal Consideration will participate in the financial and strategic benefits associated with the Merged Group; > no Superior Proposal has been forthcoming; > if the Proposal becomes Effective and is implemented, it will remove the ongoing uncertainty associated with the external management of IOF and provide IOF Unitholders with enhanced governance and alignment of interest between management and securityholders; > the Proposal provides flexibility for each IOF Unitholder to determine the optimal form of consideration for them; and > if the Proposal does not proceed, and no Superior Proposal emerges, the price of IOF Units may fall.	Section 4.3

QUESTION	ANSWER	MORE INFORMATION
Why might I consider voting against the Proposal?	In considering the Proposal the Independent Directors acknowledge there may be potential disadvantages for IOF Unitholders. The Independent Directors consider these potential disadvantages as reasons why IOF Unitholders may vote against the Proposal Resolutions. These include: > the change in the nature of the investment by IOF Unitholders; > the reduction in IOF's equivalent net tangible asset value per IOF Unit; > the Merged Group is expected to have higher gearing than IOF; > potential variability in the implied offer price due to movements in the DEXUS Security price; > you may disagree with the Independent Directors' recommendation or the conclusion of the Independent Expert; and > you will not know the outcome of your Election until the Record Date.	Section 4.4
What are the key risks associated with the Proposal?	The risks associated with the Proposal are set out in Section 11 of this Explanatory Memorandum and the potential disadvantages of the Proposal are also set out in Section 4.4 of this Explanatory Memorandum. You should also review the tax implications of the Proposal which are set out in Section 13 of this Explanatory Memorandum. In summary, there are four categories of risks: > specific risk factors that arise from the Proposal; > specific risk factors that arise from the Merged Group; > specific risk factors relating to DEXUS Securities; and > other general risks of the Merged Group. The key risks associated with the Proposal include the following: > risk relating to the fact that Proposal Participants may not receive their preferred form of Proposal Consideration due to the scale-back; and > risk relating to the fact that the exact value of Scrip Consideration is not certain, due to the fact that the value of the Scrip Consideration will fluctuate in accordance with the market value of DEXUS Securities. The specific risks associated with the Merged Group and DEXUS Securities as well as other general risks which apply to the Merged Group include: > change in risk and investment profile particularly due to DEXUS's Third Party Funds Management business; > risks of the Proposal triggering default/pre-emptive rights on jointly owned properties, which co-owners could seek to exercise; > risks that repayment provisions under IOF's USPP and MTN could be triggered by the Proposal or implementation of DEXUS RE's intentions post implementation of the Proposal. If such provisions are triggered, it could lead to early repayment obligations. Although ILFML on behalf of DEXUS RE for IOF is seeking consents and waivers from the USPP and MTN holders to enable all aspects of the Proposal and the Post Implementation Steps to be implemented without triggering such provisions, DEXUS RE is confident that if triggered, it will be able to fund those obligations; > integration risks and realisation of assumed synergies not being achieved as a result of factors such as transition to different systems and resources or loss of key personnel; > geographic concentration risk as the Merged Group will have a greater concentration in the Sydney market;	Sections 4.4, 11 and 13

QUESTION	ANSWER	MORE INFORMATION
What are the key risks associated with the Proposal? *continued*	> exposure to risks associated with industrial properties, a third party management business, Trading Profits and a larger development pipeline; and > gearing risk as the Merged Group will have a higher level of gearing compared to IOF. These and other risks (including those of a general nature) may affect the future operating performance, financial position, value and/or reputation of the Merged Group.	Sections 4.4, 11 and 13
Meeting details, voting and approval thresholds		
When and where will the Meeting be held?	> The Meeting will be held at the Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney, New South Wales on Friday, 8 April 2016, commencing at 10.00am (Sydney time).	Notice of Meeting (Attachment 4)
Who is entitled to vote at the Meeting?	All IOF Unitholders on the IOF Register as at 7.00pm (Sydney time) on Wednesday, 6 April 2016 (the Voting Record Date) are entitled to attend and vote at the meeting, except that: > for the purposes of the Trust Acquisition Resolution, and in accordance with item 7, section 611 and section 253E of the Corporations Act, Bidder and its associates must not cast any votes in favour of the resolution, and ILFML and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of IOF; and > for the purposes of the Trust Constitution Amendment Resolution, and in accordance with section 253E of the Corporations Act, ILFML and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of IOF.	Notice of Meeting (Attachment 4)
Why should I vote?	Voting is not compulsory. However your vote will be important in determining whether the Proposal will proceed. The Independent Directors recommend that you read this Explanatory Memorandum carefully and vote in favour of the Proposal, in the absence of a Superior Proposal.	Section 2.2
Can I oppose the Proposal on the Second Judicial Advice Date?	Each IOF Unitholder has the right to appear and make submissions at the Court on the Second Judicial Advice Date to be held on Tuesday, 12 April 2016.	Not applicable
What are the Proposal Resolutions?	The Proposal Resolutions comprise: a. the **Trust Acquisition Resolution**: an ordinary resolution to approve the Proposal for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes including the acquisition of a Relevant Interest in all the IOF Units by Bidder; and b. the **Trust Constitution Amendment Resolution**: conditional on the resolution in paragraph (a), a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the definition of "Proposal" in the IOF Constitutions and to provide that the definition includes the Proposal described in this Explanatory Memorandum and to approve that Proposal.	Notice of Meeting (Attachment 4) and Section 5.4
What choices do I have as an IOF Unitholder?	As an IOF Unitholder, you have the following choices: > you can vote at the Meeting in person, by proxy, by attorney or, in the case of a body corporate, by duly appointed corporate representative; > you can elect not to vote at the Meeting; > you can sell your IOF Units prior to the Effective Date; or > you can do nothing.	Section 2

QUESTION	ANSWER	MORE INFORMATION
What voting majorities are required for the Proposal?	Approval of the Proposal will require the IOF Unitholders to approve each resolution by the requisite majorities. For the Proposal Resolutions to be approved: > the Trust Acquisition Resolution must be passed by at least 50% of the total number of votes cast on the resolution by IOF Unitholders entitled to vote on the resolution at the Meeting. For the purposes of this Proposal Resolution, and in accordance with item 7, section 611 and section 253E of the Corporations Act, the Bidder and its associates must not cast any votes in favour of the resolution, and ILFML and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of IOF. > the Trust Constitution Amendment Resolution, must be passed by at least 75% of the total number of votes cast on the relevant resolution by IOF Unitholders entitled to vote on the resolution at the Meeting. This resolution is conditional on the Trust Acquisition Resolution being passed. For the purposes of this Proposal Resolution, and in accordance with section 253E of the Corporations Act, ILFML and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of IOF.	Section 2.4(b), Section 5.5(b) and the Notice of Meeting (Attachment 4)
If I wish to support the Proposal, what should I do?	If you are an IOF Unitholder on the Voting Record Date and you are entitled to vote on the Proposal Resolutions at the Meeting and wish to support the Proposal, you should vote in favour of the Proposal Resolutions.	Section 2.2 and Notice of Meeting (Attachment 4)
How do I vote?	You may vote in person by attending the Meeting. Alternatively, if you do not want to, or cannot, attend in person, you can vote by proxy, by attorney or by corporate representative (in the case of a body corporate) in accordance with the instructions in the Notice of Meeting.	Section 2.2 and Notice of Meeting (Attachment 4)
What happens if I vote against the Proposal or do not vote?	If you do not vote, or if you vote against the Proposal or any of the Proposal Resolutions, then the Proposal may not be approved. The Proposal cannot be implemented unless all of the Proposal Resolutions are passed by the requisite majorities of IOF Unitholders at the Meeting. However, even if you do not vote or vote against any of the Proposal Resolutions, this does not mean the Proposal will not be approved. If you vote against the Proposal Resolutions and those resolutions are approved and the Conditions Precedent are satisfied or waived (if applicable) and the Proposal becomes Effective, the Proposal will be implemented.	Not applicable
Can I keep my IOF Units if the Proposal is approved, becomes Effective and is implemented?	If the Proposal Resolutions are passed by the requisite majorities (even if you did not vote, or voted against the Proposal Resolutions) and you are a Proposal Participant, then if the Proposal becomes Effective and is implemented, you will be bound by the Proposal and the Bidder will acquire your IOF Units and you will receive the Proposal Consideration.	Not applicable

QUESTION	ANSWER	MORE INFORMATION
What happens if the Proposal Resolutions are not approved?	If any of the Proposal Resolutions are not approved by the requisite majorities of IOF Unitholders at the Meeting or all other Conditions Precedent are not satisfied or waived (if applicable): > the Proposal will not take place; > IOF will remain listed on ASX and continue to operate as it currently does; > the expected benefits of the Proposal will not be realised and the potential disadvantages and risks associated with the Proposal will not arise; > you will retain your IOF Units; > IOF Unitholders will not receive the Proposal Consideration; and > the trading price of IOF Units may fall.	Section 5.11
DEXUS, the Bidder, DEXUS Securities and the Merged Group		
Who is DEXUS?	DEXUS is an ASX-listed REIT that invests in, develops, manages and trades Australian office and industrial property. DEXUS also manages Australian office, industrial and retail property on behalf of third party clients, which are mainly domestic and international pension funds. DEXUS has a $21.1 billion owned and managed property portfolio, $14.1 billion of which is office properties. DEXUS manages approximately 1.8 million square metres of office space, 1.8 million square metres of industrial space and 0.8 million square metres of retail space. DEXUS is one of the largest office managers in Australia. DEXUS is included in the S&P/ASX 50, and is supported by more than 32,000 securityholders from 20 countries.	Section 8
Who is the Bidder?	The Bidder is, in substance, DXFM as responsible entity of DOT. However, a DEXUS-owned sub-trustee (being DWML) on behalf of a sub-trust wholly owned by DOT (being DOT IOF Sub-Trust) is also a Bidder. This sub-trust will hold one IOF Unit.	Section 7
What are DEXUS Securities?	A new DEXUS Security will consist of one DDF Unit, one DIT Unit, one DOT Unit and one DXO Unit, stapled together and jointly quoted on ASX with the ticker “DXS”.	Not applicable
If the Proposal is implemented, what will the Merged Group look like?	The Merged Group will be known as DEXUS and will be one of Australia’s leading REITs, bringing together two high quality complementary office portfolios with a focus on Prime Grade Australian CBD properties. It is expected that key attributes of the Merged Group will include: > total of $24.6 billion of assets under management, $17.6 billion of which would comprise office properties; > one of the largest office landlords in Australia, with an owned portfolio of 71 properties valued at $12.3 billion, representing 1.3 million square metres of net lettable area; > management expense ratio of below 35 basis points, representing an enhanced outcome compared to the fees payable under existing management arrangements; > strong balance sheet and high quality credit metrics, with pro forma look-through gearing of 33.5% within DEXUS’s existing target range of 30-40%; and > market capitalisation of approximately $9.6 billion, making the Merged Group the 6th largest Australian REIT, leading to increased global relevance for debt and equity investors.	Section 9

QUESTION	ANSWER	MORE INFORMATION
Are any material rights triggered by the Proposal (for example, default and/or pre-emptive rights)?	Sections 9.2 and 9.3 of this Explanatory Memorandum identify the key material rights in certain arrangements (to which IOF is party) which may be triggered by the implementation of the Proposal or, post-implementation of the Proposal, the intended removal of the responsible entity at the IOF level and/or the removal of certain trustees at the sub-trust level and discusses the impact of these changes. The key consequence identified is that if the Proposal is implemented without consent of IOF's USPP and MTN holders, this may trigger an event of default enabling the USPP and MTN holders to exercise their rights which include termination, rights to accelerate repayment and rights to 'make whole' premiums. In respect of properties owned or co-owned by IOF, whilst a number of consequences are discussed in Section 9.2 of this Explanatory Memorandum, pre-emptive and/or default rights may arise on a change of responsible entity of IOF under the Bond Street Co-owner Agreement and George Street Co-owner Agreement. Consents are being sought or will be sought from the relevant counterparties to avoid the impacts described in the table.	Sections 9.2 and 9.3
What will be the strategy of the Merged Group?	Upon successful implementation of the Proposal, DEXUS RE intends to operate the IOF assets in-line with DEXUS's existing strategy, with the objective of delivering superior risk-adjusted returns for investors. To implement a strategy to deliver superior risk-adjusted returns, DEXUS RE intends to undertake a detailed review of IOF's portfolio and where possible implement initiatives believed to have the potential to generate improved returns from the IOF portfolio. In conducting its review, DEXUS RE will consider: > operational changes for the IOF portfolio; > development and re-positioning opportunities for IOF; and > other actions that it can take to maximise the value of the IOF or DEXUS assets.	Sections 8.3, 9.1 and 9.2(c)
What will the Merged Group's financing structure be and how will the existing financing arrangements of IOF and DEXUS be dealt with by the Merged Group?	DEXUS RE's current intention is: > to seek to maintain the existing financing arrangements of IOF and DEXUS; > to harmonise IOF's existing financing arrangements with DEXUS's unsecured debt platform; > that the Merged Group debt platform will access a diversified range of funding sources, including bilateral bank debt, commercial paper and other debt instruments; and > that the Merged Group will be operated in line with DEXUS financial policies (including DEXUS's approach to leverage). If the Proposal is implemented, the Merged Group is expected to have total debt facilities of approximately $5.6 billion (assuming IOF's USPP and MTNs remain on foot), with approximately $0.6 billion of available debt expected to mature within 12 months of the date of this Explanatory Memorandum. The combined debt maturity profile of the Merged Group is expected to result in a diversified maturity profile, which will mitigate refinance risk. Section 9.4 of this Explanatory Memorandum outlines the breakdown of the expected unsecured debt platform for the Merged Group across the different sources of funding which includes bilateral bank debt, commercial paper and other debt instruments.	Sections 9.2, 9.3, 9.4 and 11.3(h).

QUESTION	ANSWER	MORE INFORMATION
What will the Merged Group's financing structure be and how will the existing financing arrangements of IOF and DEXUS be dealt with by the Merged Group? *continued*	As explained in Section 9.3 of this Explanatory Memorandum, consents of the holders of USPP and MTNs are in the process of being sought but as of the date of this Explanatory Memorandum have not been obtained. Consents have been obtained in respect of the other IOF debt facilities. The Conditions Precedent do not include obtaining consents from IOF's debt facility providers. For the expected gearing ratio, see the question below regarding gearing (*How will the gearing of the Merged Group compare to the gearing of IOF?*). Although the debt maturity profile for the Merged Group will be diversified, ongoing refinance risks will exist, as factors outside the control of the Merged Group could impact the Merged Group's ability to refinance any or all of these debt maturities and refinancing may be on less favourable terms. The Merged Group will have $96 million of debt maturing during FY16, and approximately $750 million of debt maturing during FY17. If the Merged Group is unable to refinance all or some of these debt maturities, which is not expected, the Merged Group would need to consider alternative funding options such as asset disposals or equity capital raisings.	Sections 9.2, 9.3, 9.4 and 11.3(h).
How will the gearing of the Merged Group compare to the gearing of IOF?	As at 31 December 2015: > IOF look-through gearing was 28.5% (vs a target gearing range of 25% to 35%); and > DEXUS look-through gearing was 29.5% (vs a target gearing range of 30% to 40%). The Merged Group's target gearing range is expected to be 30% to 40%, which is: > in line with the existing DEXUS target gearing range; and > higher than the existing IOF target gearing range. The Merged Group is expected to have a pro-forma look-through gearing of 33.5%, which is: > within the Merged Group's expected target gearing range of 30% to 40%; and > within IOF's current target gearing range of 25% to 35%.	Sections 4.3, 4.4 and 9.
Who will be on the board of the Merged Group following implementation of the Proposal?	Following implementation of the Proposal, the board of the Merged Group will constitute the existing DEXUS RE Board which is currently comprised of six independent directors and two executive directors, being DEXUS's CEO and COO.	Sections 8.14 and 9.7
Who will comprise the management of the Merged Group following implementation of the Proposal?	The management team of the Merged Group will be the existing DEXUS Group Management Committee comprising eight senior executives and is responsible for achieving DEXUS's objectives, including ensuring the prudent financial and risk management of DEXUS.	Sections 8.14(b), 8.14(c) and 9.7
What will the Merged Group be known as?	If the Proposal becomes Effective and is implemented, IOF will become part of DEXUS. The Merged Group will be known as DEXUS.	Sections 5.1 and 9.1

QUESTION	ANSWER	MORE INFORMATION
What will my distribution be for the second half of the financial year ending 30 June 2016?	The distribution for the second half of the financial year ending 30 June 2016 is not yet certain. The DEXUS RE Board sets the target distribution each year, having regard to its distribution policy, prior distributions, forecast income and expenditure and other general business and financial considerations. DEXUS's current distribution policy is to set payout levels in line with Free Cash Flow. On a standalone basis this equated to 69% of FFO per security for 1HY16, FY15 and FY14. DEXUS expects to confirm its distribution guidance for the six month period ending 30 June 2016 on Friday, 24 June 2016 via announcement to the market.	Sections 8.7 and 9.5
Implementation and other matters		
When will the Proposal be completed and implemented?	If the Proposal Resolutions are passed and the Conditions Precedent are satisfied or waived (if applicable) and the Proposal becomes Effective, the Proposal will be implemented on the Implementation Date, which is expected to be Friday, 29 April 2016.	'Key Dates'
When will I be paid any cash consideration under the Proposal and receive my new DEXUS Securities?	ILFML must, subject to being provided with the funds by DEXUS RE, pay the cash component of the Proposal Consideration to the Proposal Participants on the Implementation Date, which is expected to be Friday, 29 April 2016. New DEXUS Securities are expected to be issued to Proposal Participants on the Implementation Date, which is expected to be Friday, 29 April 2016.	'Key Dates' and Sections 12.7 and 12.9
When will I receive my cash if I am an Ineligible Overseas Unitholder or Electing Minimum Holder?	Proposal Participants who are Ineligible Overseas Unitholders or Electing Minimum Holders will be paid the cash they are entitled to receive under the Sale Facility promptly after all funds from the sale of the Sale Securities have been transferred to ILFML (which will occur not more than 15 Business Days after the Implementation Date).	Sections 5.3(d), 5.3(e), 5.3(f) and 12.7(c)
Can I sell my IOF Units on ASX?	You can sell your IOF Units on ASX up to and including the Effective Date.	Not applicable
Does DEXUS intend to remove the responsible entity of IOF or the trustees of the unit trusts and sub-trusts within the IOF Group?	The Proposal does not involve any changes to the responsible entity of IOF. Post-implementation of the Proposal, DEXUS RE intends to exercise the legal and equitable rights that it will have as the ultimate owner of IOF to ensure an orderly integration of the Merged Group. This will include removing ILFML as the responsible entity of IOF and appointing DXFM as responsible entity. As outgoing responsible entity, ILFML will be obliged by law and under the IOF trust documents to facilitate the handover to DXFM. On the appointment of DXFM as responsible entity of IOF, IOM will cease to be manager of IOF, as the Management Deed under which IOM is appointed will terminate. DEXUS will also procure, where appropriate, that the unitholders of the unit trusts and sub-trusts within the IOF Group that own the wholly owned properties exercise their rights to remove their current trustee and appoint a Controlled Entity of DEXUS. To the extent that other IOF Group trusts and sub-trusts are co-owned, DEXUS RE will discuss the change of trustee with the relevant co-owners.	Section 9.2

QUESTION	ANSWER	MORE INFORMATION
What happens if a Competing Transaction for IOF emerges?	If a Competing Transaction emerges, the Independent Directors, having regard to their obligations under the Implementation Agreement (including the "no talk" and "no shop" restrictions stipulated therein), will consider the merits of that proposal. If the Independent Directors consider the Competing Transaction is a Superior Proposal then: > IOF Unitholders will be informed through an announcement on ASX; and > the Independent Directors will carefully consider the Superior Proposal and will provide you with a detailed recommendation in relation to it. ILFML must pay to DEXUS RE a reimbursement fee of $23.52 million if any of the Independent Directors recommend a Competing Transaction (subject to limited exceptions).	Not applicable
When is the reimbursement fee payable?	Under the Implementation Agreement, ILFML must pay to DEXUS RE a reimbursement fee of $23.52 million if certain specified events occur, including if any of the Independent Directors recommend a Competing Transaction (subject to limited exceptions). However, the reimbursement fee will not be payable merely because the Proposal Resolutions are not approved at the Meeting.	Section 14.3
Is DEXUS making any associated payments in connection with the transition of management of IOF as part of the Proposal?	No, DEXUS is not making any associated payments in connection with the transition of management of IOF as part of the Proposal or in relation to post implementation steps. At the date of this Explanatory Memorandum, IOF is managed by IOM, which until a few days before the date of this Explanatory Memorandum was ultimately owned by funds controlled by Morgan Stanley and is now owned by a company stapled to ICPF of which IWFML is the responsible entity. While DEXUS RE had some discussions with Morgan Stanley in relation to the transition of management of IOF to DEXUS should the Proposal be implemented, no agreement was reached. No discussions have been held with IWFML or IOM's new ultimate owners in relation to the transition of management of IOF. The Proposal only relates to the acquisition of IOF Units and the only amounts payable in accordance with the Proposal, other than the transaction costs noted below, are to IOF Unitholders through the Proposal Consideration.	Sections 6, 8 and 9.2
What are the transaction costs associated with the Proposal?	DEXUS RE and ILFML will each incur transaction costs as part of the Proposal. DEXUS RE and ILFML are each responsible for paying their own costs. If the Proposal is approved and becomes Effective, DEXUS RE intends to fund the Cash Component of the Proposal Consideration and pay an estimated $94 million of associated transaction costs through, amongst other things, loan facilities under agreements that DEXUS RE has entered into with banks. Further details of this are set out in Section 9.3 of this Explanatory Memorandum. If the Proposal is approved and becomes Effective, DEXUS RE will fund the Scrip Component of Proposal Consideration through the issue of new DEXUS Securities.	Sections 5.11, 6 and Section 8.19

QUESTION	ANSWER	MORE INFORMATION
Do I have to pay brokerage fees or stamp duty to participate in the Proposal?	No brokerage or stamp duty will be payable by Proposal Participants on the transfer of their IOF Units under the Proposal or the receipt by Proposal Participants of the Proposal Consideration. If an IOF Unitholder disposes of their IOF Units before the Record Date, brokerage may be payable.	Section 5.10
What are the tax implications of the Proposal for IOF Unitholders?	The Proposal should give rise to a CGT event for the IOF Unitholders. IOF Unitholders who hold their IOF Units on capital account should realise either a capital gain or capital loss. Any capital gain made by Australian resident IOF Unitholders may be eligible for partial scrip for scrip rollover relief. A class ruling is being sought from the ATO confirming the extent to which scrip for scrip rollover relief is available. For detailed tax implications of the Proposal, refer to the Taxation Report in Section 13 of this Explanatory Memorandum which sets out the general Australian taxation implications for IOF Unitholders in respect of the Proposal. IOF Unitholders are encouraged to seek professional tax advice regarding the tax implications of the Proposal.	Section 13
Further questions	If after reading this Explanatory Memorandum you have any questions about the Proposal, you should call the IOF Unitholder Information Line on 1300 308 902 (callers in Australia) or +61 2 9098 9228 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday. If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised professional adviser without delay.	Not applicable

4

INDEPENDENT DIRECTORS' RECOMMENDATION AND EVALUATION OF THE PROPOSAL

4.1 Independent Directors' recommendation

The Independent Directors believe the Proposal represents a compelling value proposition for IOF Unitholders relative to the alternative options available to IOF. **For this reason, the Independent Directors support the Proposal, believe it is in the best interests of IOF Unitholders and unanimously recommend that IOF Unitholders vote in favour of the Proposal Resolutions, in the absence of a Superior Proposal.**

In coming to this view, the Independent Directors have taken the following into consideration:

a. The alternate options considered under the IOF strategic review to maximise value for IOF Unitholders

On 14 August 2015, the Independent Directors announced they were undertaking a strategic review with the objective to maximise value for all IOF Unitholders. As part of the strategic review the Independent Directors explored an extensive range of options in relation to the ongoing ownership and ongoing management of IOF.

Section 4.2 of this Explanatory Memorandum summarises the main options considered for IOF under the strategic review and the key conclusions of the Independent Directors under each option.

b. Analysis of the benefits and potential disadvantages relating to the Proposal

In assessing the Proposal, the Independent Directors analysed the benefits and potential disadvantages of the Proposal for IOF Unitholders. Following this analysis, the Independent Directors have concluded that the benefits for IOF Unitholders outweigh the potential disadvantages associated with the Proposal.

Section 4.3 of this Explanatory Memorandum outlines the benefits considered by the Independent Directors as reasons "why IOF Unitholders may consider voting in favour of the Proposal".

Section 4.4 of this Explanatory Memorandum outlines the potential disadvantages considered by the Independent Directors as reasons "why IOF Unitholders may vote against the Proposal".

c. Finding of the Independent Expert

The Independent Directors have appointed KPMG Corporate Finance as the Independent Expert to provide an opinion on the Proposal. The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal.

A copy of the Independent Expert's Report is contained in Attachment 2 of this Explanatory Memorandum.

4.2 IOF Strategic Review

On 14 August 2015, the Independent Board Committee (**IBC**) announced it was undertaking a strategic review with the objective of maximising value for all IOF Unitholders.

The strategic review involved a comprehensive examination of an extensive range of the potential alternatives related to the ongoing management and ownership of IOF, and included extensive engagement with parties interested in either the management or ownership of IOF.

The Proposal by DEXUS was considered as part of the strategic review, and assessed alongside the other options considered. The IBC determined the DEXUS Proposal to be superior to all other options considered under the strategic review and in the best interests of IOF Unitholders, in particular having regard to:

> **proposed governance structure and conflict arrangements**: the Merged Group will form one of Australia's pre-eminent, internally-managed office property groups, and for IOF Unitholders, provides an opportunity to transition to internal management, a governance structure that has been adopted by IOF's listed peer group, that represents the preferred structure of many listed REIT investors, and had been communicated to IOF Unitholders as a strategic milestone since 2011.

> **value proposition**: the Proposal by DEXUS delivers IOF Unitholders an attractive premium of 6.2%[1] relative to the IOF Unit price prior to the announcement of the Proposal, in addition to substantial annualised FY16 FFO accretion of 17.5%[2] per IOF Unit. The Proposal by DEXUS also affords IOF Unitholders significant diversification and scale benefits, coupled with exposure to additional revenue streams and enhanced growth opportunities within the DEXUS business; and

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1. Based on the closing price of DEXUS Securities on 4 December 2015 (being the last trading day prior to the announcement of the Proposal), the implied value of the Proposal was $4.07 per IOF Unit, reflecting a 6.2% premium to the IOF closing price of $3.83 on 4 December 2015.
2. Based on the Scrip Equivalent of the Implied Offer Number.

- **management platform**: the DEXUS platform provides a highly capable management proposition for IOF Unitholders, with a strong track record of operational performance in commercial real estate.

Accordingly, the IBC unanimously resolved to recommend that IOF Unitholders vote in favour of the DEXUS Proposal in the absence of a Superior Proposal, and subject to the Independent Expert opining that the DEXUS Proposal is in the best interests of IOF Unitholders.

Further information in relation to the merits of the Proposal is set out in Section 4.3 below.

a. Background to the strategic review

In February 2015, Morgan Stanley commenced a process to realise its holding in Investa Property Group (**Morgan Stanley Sale Process**), comprising:

- Investa Office, comprising the Investa Property Trust portfolio and the Investa Office Management Platform; and
- the Investa land business.

Prior to, and throughout the Morgan Stanley Sale Process, the IBC sought to engage with Morgan Stanley in relation to IOF's interest in both the Investa Property Trust portfolio and the Investa Office Management Platform.

During initial discussions prior to the commencement of the Morgan Stanley Sale Process, the terms put forward by Morgan Stanley in relation to the acquisition of the Investa Office Management Platform by IOF were not in the best interests of IOF Unitholders[3] and therefore not acceptable to the IBC. Following the commencement of the Morgan Stanley Sales Process, Morgan Stanley informed IOF that it could not acquire the Investa Office Management Platform and that Morgan Stanley intended to sell the Investa Office Management Platform in a manner that did not trigger any rights of IOF under the Investa Implementation Deed.

This was in contrast to the position previously communicated to IOF Unitholders. In 2011, when the management of IOF was transferred to Investa Property Group, which was controlled by Morgan Stanley, representations were made to IOF Unitholders suggesting that there would be a "path to internalisation"[4] through which IOF would have a future opportunity to acquire the Investa Office Management Platform or, as an initial step towards full internalisation, an interest in the Investa Office Management Platform. Certain rights provided to IOF in relation to this future opportunity are contained in the Investa Implementation Deed.

Internalisation was seen as an important initiative to bring IOF in line with its peers and provide a number of benefits to IOF Unitholders including superior growth, greater alignment, elimination of fees, improved earnings diversification and increased return on invested capital from undertaking funds management activities.

As a result, the IBC commenced a full strategic review of IOF, having regard to the following:

- the "path to internalisation" for IOF Unitholders via the acquisition of the entire Investa Office Management Platform upon Morgan Stanley's exit of its investment in Investa Property Group (as provided to IOF Unitholders in the Investa Implementation Deed) was no longer likely; and
- there was likely to be a change in ownership of the Investa Office Management Platform, without any requirement for IOF Unitholder approval, which gave rise to potential uncertainty regarding the ongoing management of IOF.

b. Conduct of the strategic review and alternatives considered

With the assistance of its advisers, the IBC undertook a comprehensive examination of the ongoing management and ownership of IOF, considering an extensive range of IOF's strategic alternatives in great depth. The IBC also remained cognisant of the rights of IOF Unitholders pursuant to the Investa Implementation Deed.

As part of this examination, the IBC engaged extensively over a period of approximately four months with:

- Morgan Stanley in relation to the progress of the Morgan Stanley Sale Process;
- a large number of global and Australian real estate investors who had the capability and capacity to acquire IOF, including those parties shortlisted in the Morgan Stanley Sale Process in relation to the Investa Property Trust portfolio;
- those parties shortlisted in the Morgan Stanley Sale Process in relation to the acquisition of the Investa Office Management Platform; and
- ICPF.

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[3] On 18 February 2015, IOF disclosed that discussions between Morgan Stanley and the IBC in relation to the acquisition of the Investa Office Management Platform were "inconclusive, and did not result in commercial terms that provided IOF with acceptable transaction certainty and that were in the best interests of IOF unitholders". Morgan Stanley had sought a right to terminate any agreement with IOF in relation to the acquisition of the Investa Office Management Platform, and a waiver of IOF's rights under the Investa Implementation Deed. Neither position was acceptable to the IBC.

[4] Details of the "path to internalisation" were contained in an Investa Property Group media release and presentation dated 28 March 2011, available on IOF's ASX announcement platform. The media release indicates that the arrangements provide IOF Unitholders with a "clear pathway to an internalised management structure".

Following an approach to DEXUS, the IBC received an initial proposal from DEXUS which was the subject of negotiation between the parties. This negotiation ultimately led to the Proposal by DEXUS, which the IBC determined to be superior to all other alternatives considered as part of the strategic review.

In order to assist in assessing the value proposition of various alternatives, the IBC commissioned the revaluation of IOF's entire portfolio as at 30 November 2015. The valuations undertaken had reference to the strong direct office market evidence up to that date, specifically including the pricing achieved on the sale of the Investa Property Trust Portfolio to the China Investment Corporation. The valuations received as part of this process were used to conclude the value of the IOF portfolio as at 31 December 2015 and as such are reflected in the 31 December 2015 NTA.

Set out below are the main alternatives considered under the strategic review with a summary of some of the key considerations of each.

IOF to continue with an external manager

In considering the external management of IOF, the Independent Directors acknowledged the high-quality management provided to IOF by the Investa Office Management Platform since the Investa Office Management Platform assumed the management of IOF in 2011.

The Independent Directors also acknowledged that IOF's external management arrangements had been enhanced by initiatives introduced at the time of management transition to the Investa Office Management Platform, including the calculation of IOF's management fee based on market capitalisation, a dedicated IOF management team, a detailed conflict management protocol, and IOF Unitholder input into responsible entity Board composition.

However, following a thorough analysis, the Independent Directors concluded that the Proposal by DEXUS was superior to the continuation of external management, having regard to the following issues in particular:

> **governance structure and conflicts**: the Proposal by DEXUS facilitates a transition to internal management for IOF Unitholders. Internal management provides superior governance, greater alignment between management and investors, and a reduced potential for actual or perceived conflicts of interest. In doing so, internal management enhances the likelihood of portfolio growth and diversification for IOF Unitholders. There is no certainty that continued external management by any of the potential managers of IOF with whom the Independent Directors engaged would provide comparable benefits to IOF Unitholders;

> **value proposition**: the Proposal by DEXUS delivers IOF Unitholders an attractive premium and significant annualised FY16 FFO accretion of 17.5% per IOF Unit. In addition, the Proposal by DEXUS provides IOF Unitholders with the opportunity to invest in a merged entity that will be Australia's pre-eminent internally-managed office platform, with an attractive investment case built upon a high quality portfolio, performance track record, scale and diversification. By contrast, the continuation of external management of IOF does not, in itself, provide for earnings accretion or incremental value for IOF Unitholders; and

> **management platform**: the Proposal by DEXUS provides IOF Unitholders with certainty as to the ongoing management of their investment. DEXUS is a highly capable manager of Australian office assets. Whilst IOF Unitholders have enjoyed the benefits of management by the Investa Office Management Platform since 2011, the protracted Morgan Stanley Sale Process has impacted the stability of the Investa Office Management Platform, which has the potential to create uncertainty for IOF Unitholders.

In coming to this conclusion, the Independent Directors actively engaged with those parties short-listed by Morgan Stanley to acquire the Investa Office Management Platform, including Mirvac Group and ICPF.

IOF to enter into joint ownership of the Investa Office Management Platform with ICPF	During its discussions with the Independent Directors, ICPF proposed a concept whereby ICPF and IOF would jointly own the Investa Office Management Platform.

IOF to enter into joint ownership of the Investa Office Management Platform with ICPF

During its discussions with the Independent Directors, ICPF proposed a concept whereby ICPF and IOF would jointly own the Investa Office Management Platform.

The Independent Directors and their advisers held discussions with ICPF to explore this concept as part of the strategic review. ICPF proposed certain initiatives for the benefit of IOF, including IOF representation on the Investa Office Management Platform board, and the potential for future investment opportunities subject to the satisfaction of certain conditions. The IBC considered these proposals as part of the assessment of the joint ownership proposal.

Following engagement with ICPF and careful consideration, the Independent Directors concluded that the Proposal by DEXUS was superior to joint ownership, having regard to the following issues in particular:

> **governance structure and conflicts**: the Proposal by DEXUS facilitates a full transition to internal management for IOF Unitholders, and delivers the benefits of internal management including superior growth, greater alignment of interest with IOF Unitholders, elimination of fees and improved earnings diversification. Joint ownership is not equivalent to an internalisation of IOF. Structurally, the Investa Office Management Platform would continue to be the external manager of IOF, albeit that IOF would retain an interest in the Investa Office Management Platform. Full internalisation, which is achieved through the Proposal by DEXUS, delivers a superior governance and management framework to IOF Unitholders relative to partial ownership of an external management platform;

> **value proposition**: the Proposal by DEXUS delivers IOF Unitholders an attractive premium and significant annualised FY16 FFO accretion of 17.5% per IOF Unit. By contrast, the IBC undertook an analysis of the financial impact of joint ownership of the Investa Office Management Platform, at the time of the strategic review, which suggested that joint ownership of the Investa Office Management Platform was likely to be neutral to marginally accretive to IOF. This analysis remained subject to the final consideration paid to Morgan Stanley and the actual expenses to operate the Investa Office Management Platform. The Proposal by DEXUS was expected to deliver a superior value proposition to joint ownership;

> **management platform**: the Proposal by DEXUS provides IOF Unitholders with certainty as to the ongoing management of their investment. DEXUS is a highly capable manager of Australian office assets. Under the joint ownership alternative, whilst IOF would continue to be managed by the Investa Office Management Platform, the IBC was aware of:

- the potential for changes within the senior leadership of the Investa Office Management Platform that may have impacted IOF;
- the potential for China Investment Corporation, the owner of the Investa Property Trust portfolio, to transition management of that portfolio to a third party which has subsequently occurred; and
- the potential for ICPF investors to seek liquidity through a redemption of capital or a vote to liquidate ICPF in the future.

All of these factors had the potential to impact the stability and viability of the Investa Office Management Platform, which may in turn impact IOF Unitholders.

During the discussions with ICPF, the Independent Directors proposed to ICPF changes in the structure of the joint ownership concept in an attempt to address a number of the concerns noted above and protect the interests of IOF Unitholders. The Independent Directors' proposal was aimed at providing each of ICPF and IOF with greater independence over their own strategic direction, via each fund internalising its respective funds management and asset management function, with joint ownership of a property management and property services platform. This concept was not accepted by ICPF who reinforced the requirement for ICPF and IOF to jointly own the entire Investa Office Management Platform.

The Independent Directors considered that joint ownership of the Investa Office Management Platform would not deliver the same strategic benefits to IOF Unitholders as full internalisation.

Potential for IOF to acquire an interest in the Investa Office Management Platform pursuant to the Investa Implementation Deed

Pursuant to the Investa Implementation Deed, IOF has certain rights including:

- a right to negotiate in good faith in relation to the acquisition of a 50% interest in the Investa Office Management Platform once the gross asset value of IOF equals or exceeds $3.5 billion (the **Due Diligence Commencement Date**) as a logical first step to full internalisation upon Morgan Stanley's exit from the Investa Office Management Platform; and
- a right of first refusal for a period of 12 months from the Due Diligence Commencement Date in the event IPGH or IOMH wishes to sell an interest in the Investa Office Management Platform to an unrelated third party.

These rights form the basis of the "path to internalisation" that was described to IOF Unitholders in 2011.[5]

Throughout the strategic review, the Independent Directors considered the value of these rights to IOF Unitholders, and the impact various strategic initiatives would have on IOF's ability to exercise these rights. In this consideration, the IBC determined that a potential new owner of the Investa Office Management Platform may not have the same intentions, or investment horizon, as Morgan Stanley when the Implementation Deed was entered into to provide IOF with a pathway to full internalisation.

Standalone Internalisation of IOF

The Independent Directors explored a range of options for an internalisation of IOF, recognising the benefits of internalisation and the general preference for listed REIT investors for an internalised management structure. To this end, the Independent Directors actively sought opportunities to internalise IOF.

However, as announced to ASX on 7 August 2015, and set out in Section 4.2(a) above:

- Morgan Stanley informed IOF that it would not entertain an offer from IOF to acquire the Investa Office Management Platform;
- Morgan Stanley also advised the IBC that it intended to sell the Investa Office Management Platform in a manner so as not to trigger any IOF rights under the Investa Implementation Deed.

Therefore, it was not available to the Independent Directors to pursue an internalisation of IOF through the acquisition of the Investa Office Management Platform.

Further the IBC approached Morgan Stanley (as the controller of the then ultimate owner of IOMH) as well as ICPF and Mirvac (as the prospective possible owners of IOMH), to explore the potential to internalise IOF on a standalone basis via the acquisition of IOF's management rights (from whoever was to be the owner of IOMH at the relevant time). These approaches did not result in substantive engagement with the IBC on a standalone internalisation of IOF.

The Independent Directors also considered an internalisation of IOF via calling a vote of IOF Unitholders to remove the current manager of IOF and appoint an IOF entity as its own manager.

The Independent Directors concluded that the Proposal by DEXUS was superior to standalone internalisation, having regard to the following issues in particular:

- **governance structure and conflicts**: The Proposal by DEXUS facilitates a full and immediate transition to internal management, without the execution and transition risks for IOF, especially where Morgan Stanley and ICPF had not engaged in relation to the standalone internalisation of IOF;
- **value proposition**: the Proposal by DEXUS delivers IOF Unitholders an attractive premium and significant annualised FY16 FFO accretion of 17.5% per IOF Unit. By contrast, the IBC undertook an analysis of the financial impact of standalone internalisation. Given the size of IOF's portfolio, the financial impact on IOF of a standalone internalisation was explored and, subject to the confirmation of various assumptions (in particular the price to purchase the management rights), was expected to be neutral to IOF's earnings;
- **management platform**: the Proposal by DEXUS provides IOF Unitholders with certainty as to the ongoing management of their investment. DEXUS is a highly capable manager of Australian office assets. The pursuit of a standalone internalisation would involve the establishment of an internal management platform, and extensive recruitment of staff. Establishing this platform would expose IOF Unitholders to significant transition risk, especially where Morgan Stanley and ICPF had not engaged in relation to the standalone internalisation of IOF.

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[5] Details of the "path to internalisation" were contained in an Investa Property Group media release and presentation dated 28 March 2011, available on IOF's ASX announcement platform. The media release indicates that the arrangements provide IOF Unitholders with a "clear pathway to an internalised management structure".

Liquidation/wind-up of IOF	A liquidation or wind-up of IOF would involve the individual sale of each of the assets of IOF with a return of proceeds to IOF Unitholders as part of a liquidation of IOF. The strategic review concluded this to be an inefficient mechanism to deliver value to IOF Unitholders due to the: > transaction costs to be incurred to administer such a process; > potential for capital gains tax liabilities to impact the return to IOF Unitholders; > potential for an adverse impact on IOF's debt facilities as a result of undertaking a liquidation or wind-up of IOF; > expected lengthy time period required to dispose of the entire IOF portfolio and lack of certainty of market conditions during this period and outcome; and > lack of certainty of being able to transact on the entire portfolio at the commencement of liquidation process, especially at pricing levels that would maximise IOF Unitholder value. The Independent Directors also considered a sale of the two constituent entities that comprise IOF, namely the Armstrong Jones Office Fund and the Prime Credit Property Trust. The Independent Directors did not consider that a sale of either or both entities delivered a superior value proposition to IOF Unitholders when compared to the Proposal by DEXUS. The Independent Directors considered that the Proposal by DEXUS was superior to a liquidation / wind-up of IOF.
Control proposal for the IOF Units or assets	A control proposal would involve the acquisition of all of the assets or issued IOF Units. A control proposal was considered to provide an efficient mechanism to facilitate maximisation of value for IOF Unitholders due to the: > certainty it provides (when compared to individual asset sales / liquidation of IOF); and > in the case of an acquisition of IOF Units, the ability for a transaction to be executed in a cost efficient manner (when compared to the direct acquisition of real estate assets) whilst providing parties with alternative consideration options. However, the IBC determined that, in order to be recommended, any control proposal would need to deliver an attractive proposition to IOF Unitholders, as well as: > being determined to be in the best interests of IOF Unitholders by an Independent Expert; and > any recommendation being subject to no superior proposal emerging. In conjunction with its advisers, the IBC engaged with a large number of global and Australian real estate investors who had the capability and capacity to acquire IOF, including those parties shortlisted in the Morgan Stanley Sale Process in relation to the Investa Property Trust portfolio. This lengthy period of engagement enabled the IBC to form a clear view on the price a potential acquirer would be prepared to pay for IOF's portfolio, including an understanding of: > the capacity of potential acquirers to fund the acquisition of approximately $3.5 billion of Australian office assets; > the attractiveness of the IOF portfolio to global and Australian real estate investors, particularly with regard to the relative characteristics of the IOF portfolio and the recently-transacted Investa Property Trust portfolio; and > the views of potential acquirers having undertaken due diligence on IOF and its portfolio. One of the parties contacted in relation to a possible control proposal was DEXUS. Following the receipt of an initial proposal and subsequent negotiation to improve the terms of that initial proposal, the discussions with DEXUS ultimately led to the Proposal.

4.3 Why should I vote in favour of the Proposal?

The Independent Directors believe that the Proposal provides a number of benefits to IOF Unitholders. These benefits are set out below and are considered by the Independent Directors as reasons why IOF Unitholders may vote in favour of the Proposal.

The Independent Directors acknowledge that the benefits for each IOF Unitholder may vary based on how each IOF Unitholder elects to receive their Proposal Consideration under the Proposal, any scale-back that applies to such Election and whether the IOF Unitholder is an Ineligible Overseas Unitholder.

1. The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal

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

The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal.

IOF Unitholders should carefully review the Independent Expert's Report in its entirety. The Independent Expert's Report is included in Attachment 2 of this Explanatory Memorandum.

2. The Proposal represents attractive value for IOF Unitholders

The Proposal Consideration represents attractive value for IOF Unitholders when considered against the trading performance of IOF Units and the alternatives outlined in Section 4.2 of this Explanatory Memorandum.

Based on DEXUS's closing price on 4 December 2015 (being the trading day prior to the Proposal being first announced) the implied value of the Standard Consideration per IOF Unit was $4.0665. This represented a:

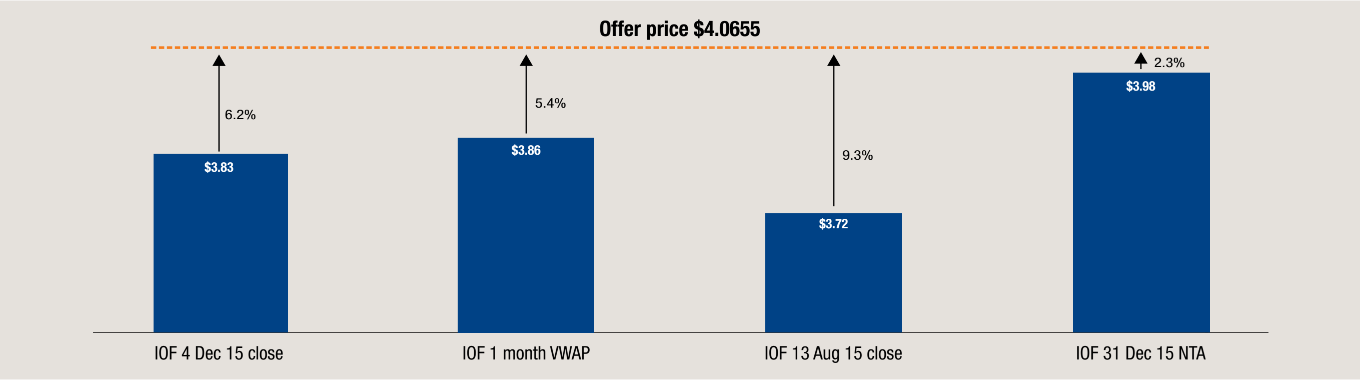
> 6.2% premium to IOF's closing price of $3.83 on 4 December 2015;

> 5.4% premium to IOF's 1 month volume weighted average price of $3.86 as at 4 December 2015;

> 9.3% premium to IOF's closing price of $3.72 on 13 August 2015 (being the day prior to the announcement of the IOF strategic review); and

> 2.3% premium to IOF's 31 December 2015 NTA of $3.98.

Figure 4.1: Offer metrics of the Standard Consideration as at 4 December 2015 close



Based on DEXUS's closing price of $7.85 on 3 March 2016 (being the last practicable trading day before the date of this Explanatory Memorandum) the Standard Consideration implied a value per IOF Unit of $4.15. IOF's closing price per IOF Unit on 3 March 2016 (being the last practicable trading day before the date of this Explanatory Memorandum) was $4.05.

3. IOF Unitholders who receive DEXUS Securities as part of the Proposal Consideration will participate in the benefits associated with the Merged Group

IOF Unitholders who receive DEXUS Securities as part of the Proposal Consideration will participate in the benefits associated with the Merged Group outlined in Sections 4.3(a) to 4.3(g) of this Explanatory Memorandum below.

Financial benefits:

a. Significant earnings and distribution accretion while maintaining a strong balance sheet

If the Proposal becomes Effective and is implemented, significant earnings and distribution accretion is expected to be generated for IOF Unitholders who become securityholders of the Merged Group on a per IOF Unit basis.

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

The FFO accretion for IOF Unitholders has been shown on both a 'headline' and 'underlying' basis on a per IOF Unit basis. The difference between the approaches is that the 'headline FFO' includes the Trading Profits of the Merged Group. The 'underlying FFO' does not include the Trading Profits of the Merged Group.

Figure 4.2: Key financial impacts of IOF Unitholders

	IOF standalone	Post-implementation (IOF equivalent)[a]	Impact
FY16 pro forma FFO and distribution impact			
FY16 pro forma headline FFO per unit	28.4 cents	33.3 cents	+17.5%
FY16 pro forma underlying FFO per unit	28.4 cents	30.6 cents	+7.9%
FY16 pro forma DPS	19.6 cents	23.0 cents[b]	+17.4%
31 December 2015 pro forma balance sheet impact			
Net tangible asset value per unit (NTA)	$3.98	$3.83	(3.9%)
Gearing (look-through)[c]	28.5%	33.5%	+5.0%

a. Based on the Scrip Equivalent of the Implied Offer Number.

b. DEXUS's current distribution policy is to set payout levels in line with Free Cash Flow. The IOF equivalent DPS post implementation has been calculated by applying the DEXUS payout ratio of 69% of FFO per security for both 1HY16 and FY15 to the IOF equivalent FFO post implementation of 33.3 cents per security. At this level, the payout ratio is approximately in line with the historic IOF payout ratio of 70% of FFO. The distribution for the Merged Group for the second half of the financial year ending 30 June 2016 is not yet certain. The DEXUS RE board sets the target distribution each year, having regard to its distribution policy, prior distributions, forecast income and expenditure and other general business and financial considerations. DEXUS expects to confirm its distribution guidance for the six month period ending 30 June 2016 on Friday, 24 June 2016 via announcement to the market.

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

If the Proposal is implemented, DEXUS is expected to provide guidance on its outlook for FY17 at the first DEXUS results presentation following implementation, which is expected to be in August 2016.

The Merged Group is expected to have gearing of 33.5%,[6] within DEXUS's target gearing range of 30% to 40%.

Strategic benefits:

b. Combination of two complementary office portfolios

If the Proposal becomes Effective and is implemented, the Proposal will bring together two complementary portfolios of office real estate assets within the Merged Group. As one of the largest owners and managers of Australian office properties, the Merged Group would have relevance across all major Australian office markets with an increased footprint in each.

The Merged Group's Australian office property under management will increase to $17.6 billion, of which $12.3 billion will be directly owned.

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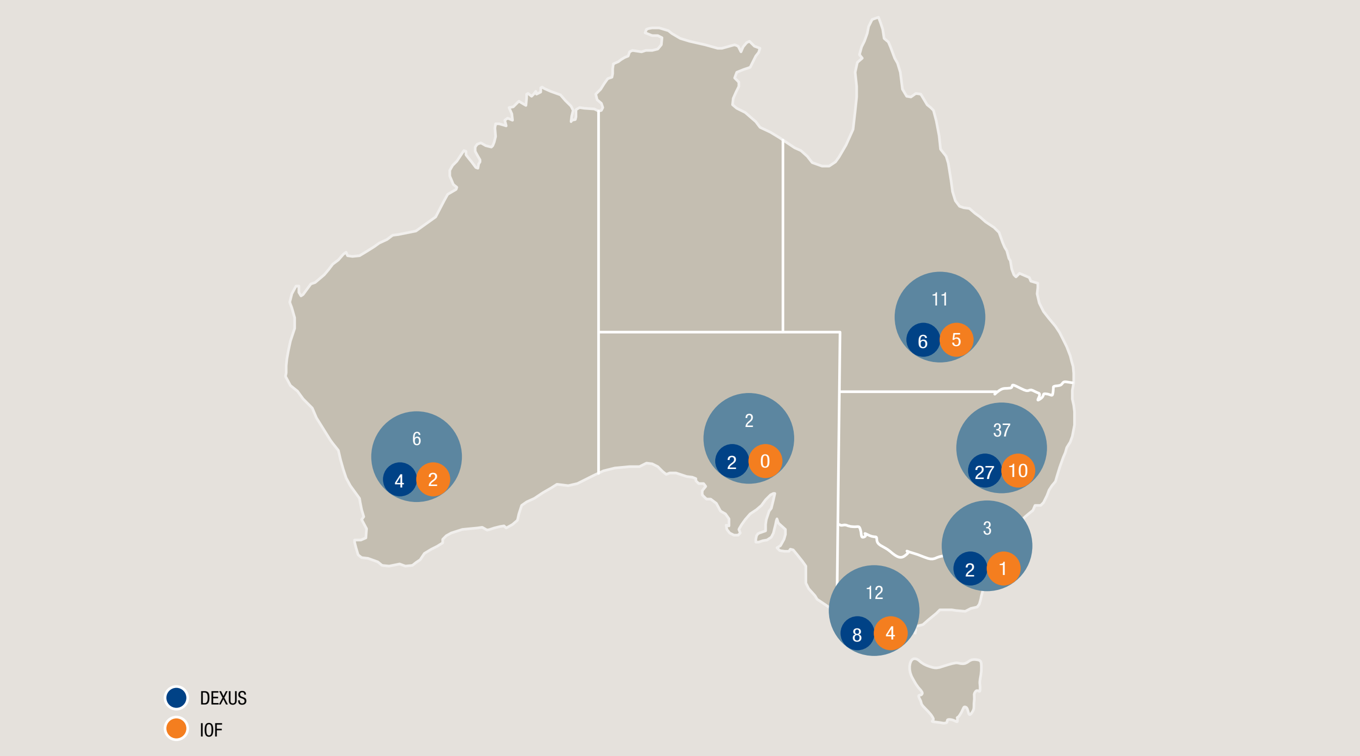
[6] Refer to definition of DEXUS look-through gearing in Section 15.1 of this Explanatory Memorandum.

Figure 4.3: Owned office property portfolio overview

	IOF	DEXUS	Merged Group
Number of properties	22	49	71
Book value ($bn)	3.499	8.8	12.3
Weighted average lease expiry (by income)	5.0 years	4.4 years	4.5 years
Occupancy (by income)	94%	94%	94%
Capitalisation rate	6.33%	6.30%	6.31%



The Merged Group will have a focus on Prime Grade (Premium Grade and A-Grade) Australian CBD located properties. The Merged Group will have a combined office portfolio with:

> 88% exposure to Prime Grade properties – which results in an improvement in the overall portfolio quality as compared to the standalone IOF portfolio, which has exposure to only 79% Prime Grade properties; and

> 75% weighting to the New South Wales and Victoria markets – which is comparable to the 79% allocated to these markets of the standalone IOF portfolio.

Figure 4.4: Portfolio quality – Australian office (by book value)

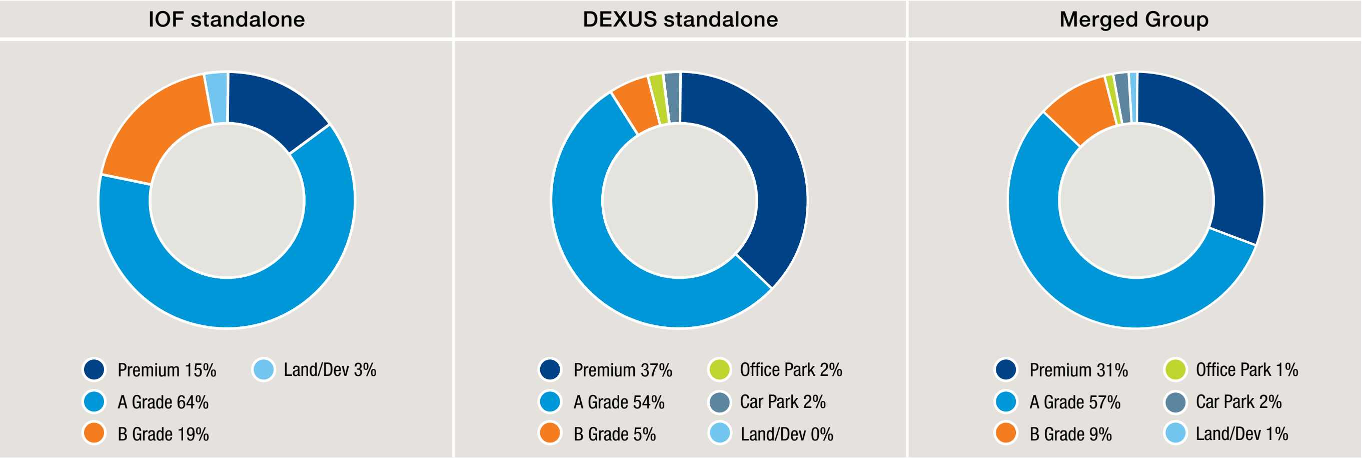
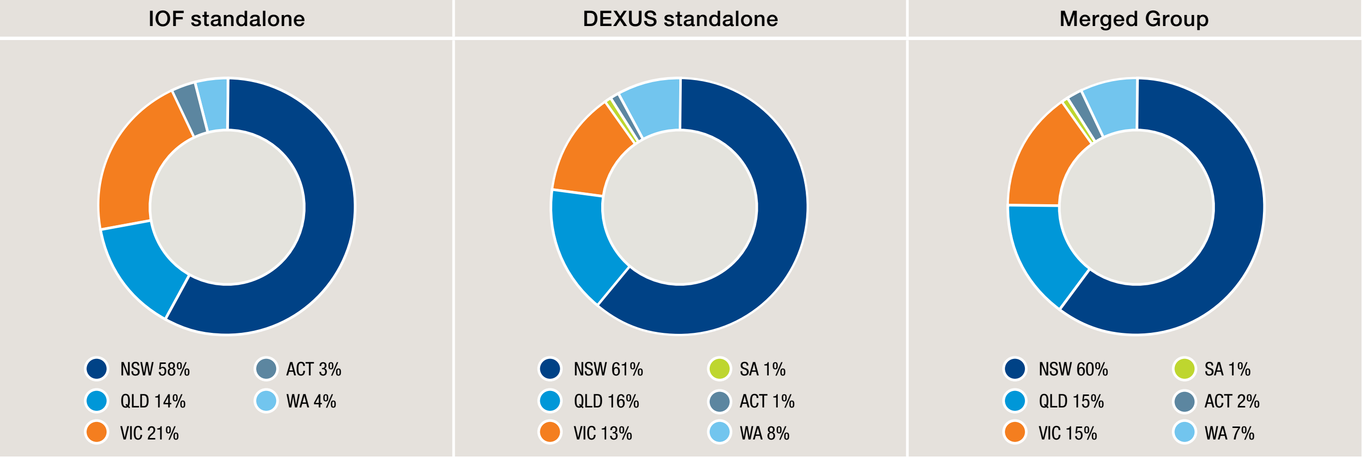


Figure 4.5: Geographic exposure – Australian office (by book value)



c. Investment in a larger more diversified office portfolio

If the Proposal is implemented, IOF Unitholders will gain exposure to a $12.3 billion office portfolio which will be directly owned by the Merged Group. This significant increase, from the current IOF portfolio of $3.499 billion, will provide IOF Unitholders a number of benefits that come from a larger more diversified office portfolio.

The Merged Group's exposure to any particular asset or tenant within the combined office portfolio when compared to IOF on a standalone basis will be reduced. This will result in a reduction in the risk to earnings from any singular tenancy. As demonstrated in figures 4.6 and 4.7 below, the exposure of IOF Unitholders who receive new DEXUS Securities:

> to the top 10 office properties reduces from 67% of the portfolio in IOF to 35% of the portfolio in the Merged Group; and

> to the top 10 tenants in the portfolio reduces from 56% of Net Lettable Area in IOF to 29% of Net Lettable Area in the Merged Group.

Figure 4.6: Exposure to top 10 office properties

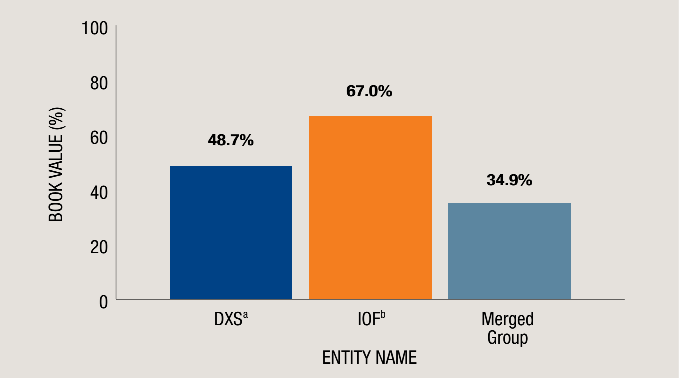
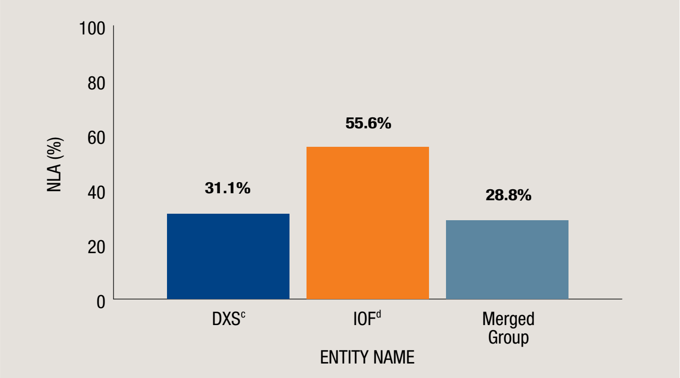


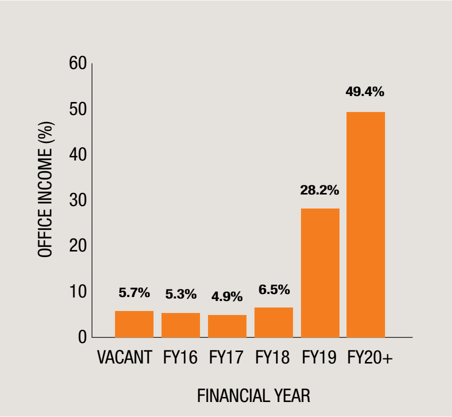
Figure 4.7: Exposure to top 10 office tenants[e]



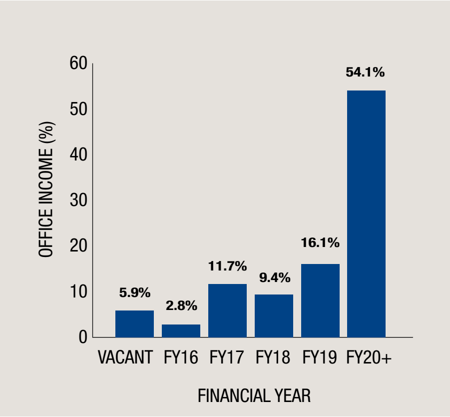
a. DEXUS property portfolio as at 31 December 2015.
b. IOF property portfolio as at 31 December 2015.
c. Based on DEXUS 31 December 2015 portfolio and tenant NLA data.
d. Based on IOF 31 December 2015 portfolio and tenant NLA data.
e. NLA is ownership share of Net Lettable Area.

In addition, the lease expiry profile of the Merged Group diversifies the expiry of both IOF and DEXUS across the larger portfolio of the Merged Group. Per the below, this reduces specific leasing risk for IOF that is observable in FY19.

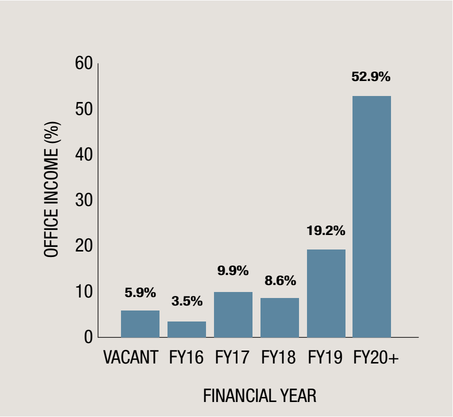
IOF standalone



DEXUS standalone



Merged Group



The increased size of the combined office portfolio and tenant diversity is also expected to provide the Merged Group with an increased ability to manage tenant demands, vacancy and leasing. With a larger portfolio the Merged Group would be better placed to manage tenant needs and provide alternate solutions when compared to IOF on a standalone basis.

d. Exposure to additional revenue streams

If the Proposal becomes Effective and is implemented, IOF Unitholders who receive new DEXUS Securities will be provided exposure to additional revenue streams within the Merged Group. These additional revenue streams relate to DEXUS's development pipeline, Third Party Funds Management business and property services and trading businesses.

1. Development pipeline

If the Proposal becomes Effective and is implemented, IOF Unitholders who receive new DEXUS Securities will gain exposure to DEXUS's $1.1 billion balance sheet development pipeline across office and industrial projects. In addition, there is the potential for further development and repositioning opportunities to be identified from within the Merged Group's expanded office portfolio.

2. Third Party Funds Management and property services

DEXUS has an established funds management platform with developed wholesale capital relationships. If the Proposal becomes Effective and is implemented, this Third Party Funds Management business will be continued by the Merged Group.

The activities undertaken by the Third Party Funds Management business include managing office, industrial and retail investments on behalf of third party partners and funds.

DEXUS's Third Party Funds Management business will represent $10.5 billion of the Merged Group's $24.6 billion total funds under management. In addition, the Third Party Funds Management business $2.1 billion development pipeline will support on-going organic growth within this business unit.

DEXUS earns fees for providing funds management, property management, leasing and development management services in relation to assets held within the Third Party Funds Management business. If the Proposal becomes Effective and is implemented IOF Unitholders who receive new DEXUS Securities will gain exposure to these revenue streams.

3. **Trading Profits**

The DEXUS trading business seeks to identify opportunities to re-position or develop assets with the intention to sell these assets for a profit. The DEXUS trading business either acquires properties with the direct purpose of repositioning or development, or acquires properties from within DEXUS's existing portfolio with value add potential.

If the Proposal is implemented, this will continue in respect of the Merged Group. The larger portfolio of the Merged Group could provide increased scope for Trading Profits to be generated beyond the current DEXUS pipeline.

e. Enhanced governance and alignment of interests

DEXUS is internally managed (meaning it is managed by an entity owned by DEXUS). As at the date of this Explanatory Memorandum, IOF is externally managed by IOM.

If the Proposal becomes Effective and is implemented and IOF Unitholders receive new DEXUS Securities, they will hold those securities in an internally managed structure, ensuring a clear alignment of interests between the ownership and management of the assets of the Merged Group.

The DEXUS Board's accountability is solely to DEXUS Securityholders. DEXUS Securityholders have the power at general meetings of DEXUS, with sufficient majority, to appoint and remove DEXUS RE Directors as well as vote (in non-binding resolutions) on the remuneration structure for DEXUS RE Directors.

IOF Unitholders will benefit from this structural alignment which does not currently exist for IOF. Under the current IOF external management structure there is scope for a misalignment of interests between IOF Unitholders (as the owner of the office properties via IOF) and its external manager.

f. Enhanced cost-effectiveness

In addition to improving the alignment of interests, if the Proposal becomes Effective and is implemented and IOF Unitholders receive new DEXUS Securities, those IOF Unitholders will also benefit from the elimination of the external management fee paid to ILFML and an anticipated reduction in the forecast MER to less than 35 basis points for the Merged Group. The MER reflects the annual cost to manage the Merged Group's asset portfolio. This compares to IOF's forecast cost of managing the IOF portfolio of 42 basis points in FY16 on a standalone basis.[7]

The lower MER for the Merged Group is expected to be achievable due to the increased scale of the Merged Group's portfolio compared to that of IOF on a standalone basis. In the event of further acquisitions or implementation of additional cost saving initiatives, the MER would be expected to further reduce.

g. Greater relevance for equity and debt investors

The Merged Group is expected to have greater relevance for equity and debt investors through increased scale relative to IOF on a standalone basis. Based on a market capitalisation of $9.6 billion[8], the Merged Group is expected to be:

- the 6th largest Australian REIT;
- a top-35 entity on ASX; and
- largest listed owner and manager of Australian office assets on ASX.

The larger market capitalisation of the Merged Group will result in increased market weighting within market indices it is a constituent of and is expected to result in an increased daily trading volume for the Merged Group and improved equity and debt pricing in comparison to IOF on a standalone basis. An increased trading volume will improve liquidity for IOF Unitholders looking to buy or sell units in the Merged Group.

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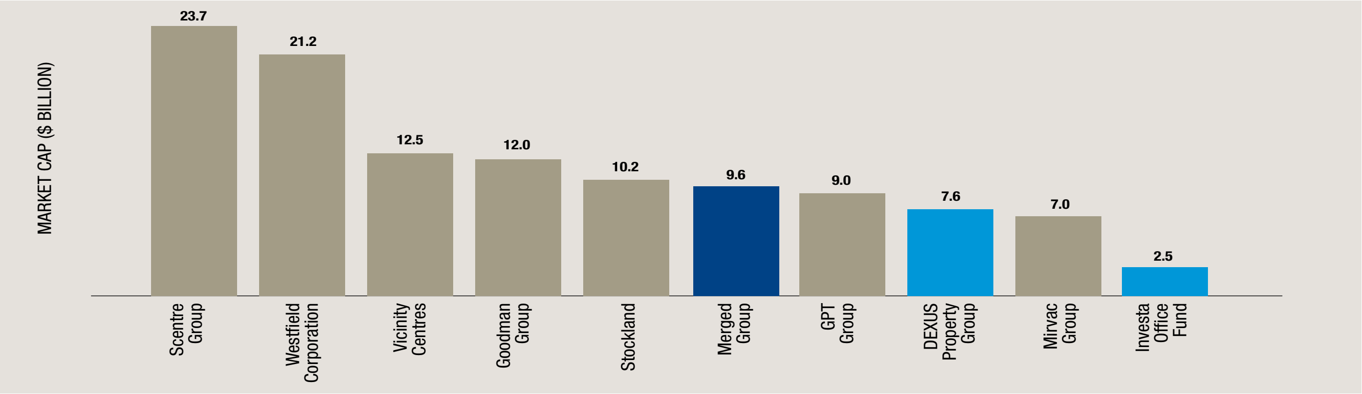
[7] This includes responsible entity fees paid to ILFML and other operating expenses of IOF.

[8] Based on the number of DEXUS Securities forecast to be on issue if the Proposal is implemented at the DEXUS closing price on 3 March 2016.

Figure 4.8: Australian REITS by market capitalisation ($ billion)[a]



a. As at close of trading on 3 March 2016.

If the Proposal becomes Effective and is implemented, the Merged Group's larger balance sheet is expected to provide greater funding flexibility and access to a broader range of debt funding sources and tenor than is available to IOF on a standalone basis. The increased scale is expected to improve the Merged Group's cost of capital in the medium term.

4. Removes the ongoing uncertainty associated with the external management of IOF

If the Proposal does not become Effective and is not implemented, ILFML will continue to be the responsible entity of IOF and IOF will continue to be externally managed by IOM. However, the Independent Directors are advised that the Morgan Stanley Sale Process has resulted in a sale of IOM to a new company stapled to ICPF.[9]

In considering the impact of a third party acquiring IOM and becoming the manager of IOF, the Independent Directors were mindful of:

i. the potential for the strategy of IOF to change;

ii. the third party having existing directly owned portfolios or portfolios under management that would compete with the interests of IOF; and

iii. the level of office expertise and experience the third party has in managing listed Australian REITs.

The Independent Directors believe that a new owner of the Investa Office Management Platform will have an interest in protecting its position as the manager of IOF and as such may not be welcoming of future control transactions for IOF which has the impact of potentially reducing the value of IOF Units.

The uncertainty around the future owner of the Investa Office Management Platform and their intentions as manager of IOF was a significant consideration for the Independent Directors in their determination that the Proposal was in the best interests of IOF Unitholders, in the absence of a Superior Proposal.

5. No Superior Proposal has been forthcoming

On 14 August 2015, the Independent Directors commenced a strategic review to maximise value for IOF Unitholders. As part of the strategic review, the Independent Directors considered a range of possible alternatives for the ongoing management and ownership of IOF. The main alternatives considered are set out in Section 4.2 of this Explanatory Memorandum.

To assess the ongoing ownership options for IOF, the Independent Directors, with the assistance of its advisers undertook a process to approach all the parties identified as having an interest in the Australian office market. This led to discussions with DEXUS and ultimately resulted in the DEXUS Proposal.

At the time of agreeing the Implementation Agreement there was no Superior Proposal either in relation to the management or ownership of IOF presented to the Independent Directors.

Further, there has been no Superior Proposal received by the Independent Directors since the announcement that ILFML and DEXUS RE had entered into the Implementation Agreement in relation to the Proposal on 18 December 2015.

The Independent Directors consider that their intentions in relation to exploring any interest in the ownership of IOF have been clearly disclosed in IOF's public announcements since the commencement of the strategic review on 14 August 2015 and further demonstrated by agreeing the Proposal with DEXUS RE on 18 December 2015. On this basis, the Independent Directors believe that any party who may have had interest in the ownership of IOF would have had sufficient time to present an alternative proposal to the Independent Directors for consideration. No alternative proposals have been received by the Independent Directors.

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[9] On 22 February 2016, IWFML announced it had entered into a binding agreement to purchase all of the shares in IOMH, the owner of IOM. IWFML announced that the acquisition would be made by a new company to be stapled to ICPF. The Independent Directors have been advised that the Platform Sale has completed and that a company stapled to ICPF has acquired the shares in IOMH. The Independent Directors have requested further information in relation to the Platform Sale from Morgan Stanley and IWFML.

The Independent Directors consider the Proposal will deliver a more favourable outcome to IOF Unitholders than all other alternatives explored under the strategic review.

6. The Proposal provides flexibility for each IOF Unitholder to determine the optimal form of consideration

IOF Unitholders have flexibility to elect to receive Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration.

IOF Unitholders electing to receive Standard Consideration will receive $0.8229 cash and 0.4240 new DEXUS Securities for each IOF Unit held at the Record Date (on the terms as described in Section 5.3(a) of this Explanatory Memorandum).

Eligible IOF Unitholders who wish to maximise their participation in the potential strategic and financial benefits from a combination of IOF and DEXUS may elect to receive Maximum Scrip Consideration. IOF Unitholders electing to receive Maximum Scrip Consideration will receive the Scrip Equivalent of the Implied Offer Number of new DEXUS Securities for each IOF Unit held at the Record Date (subject to scale-back and on the terms as described in Section 5.3(c) of this Explanatory Memorandum).

Alternatively, IOF Unitholders can elect to receive Maximum Cash Consideration for each IOF Unit held at the Record Date (on the terms as described in Section 5.3(b) of this Explanatory Memorandum). IOF Unitholders electing to receive Maximum Cash Consideration will receive the Implied Announcement Value for each IOF Unit held at the Record Date (subject to scale-back and on the terms as described in Section 5.3(b) of this Explanatory Memorandum).

Proposal Participants who are also Minimum Holders may elect to participate in the Sale Facility.

Ineligible Overseas Unitholders and Electing Minimum Holders should note that despite any Election they make (or are deemed to make) they will not receive new DEXUS Securities. Instead they will participate in the Sale Facility and receive cash instead of the new DEXUS Securities that they would have otherwise received.

Further details of the Election, the scale-back mechanism and the Sale Facility are set out in Section 5.3 of this Explanatory Memorandum.

7. If the Proposal does not proceed, and no Superior Proposal emerges, the price of IOF Units may fall

If the Proposal does not become Effective and is not implemented, the IOF Units will remain quoted on ASX and will continue to be subject to market volatility.

In the absence of the Proposal, there is a risk that IOF Units will trade at a lower price than the price at which they have traded since the Process Deed was signed on 7 December 2015. Immediately after the announcement of the Proposal, the price per IOF Unit closed over 7% higher than its previous closing price.

There is risk that if the Proposal is not implemented that the IOF Unit price may fall.

4.4 Why might I consider voting against the Proposal?

Although the Independent Directors unanimously recommend that IOF Unitholders vote in favour of the Proposal in the absence of a Superior Proposal, and the Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a Superior Proposal, the Independent Directors acknowledge that there may be potential disadvantages associated with the Proposal.

This Section 4.4 sets out the potential disadvantages identified by the Independent Directors and it is acknowledged that these potential disadvantages may constitute reasons why an IOF Unitholder may consider voting against the Proposal.

The potential disadvantages are outlined below.

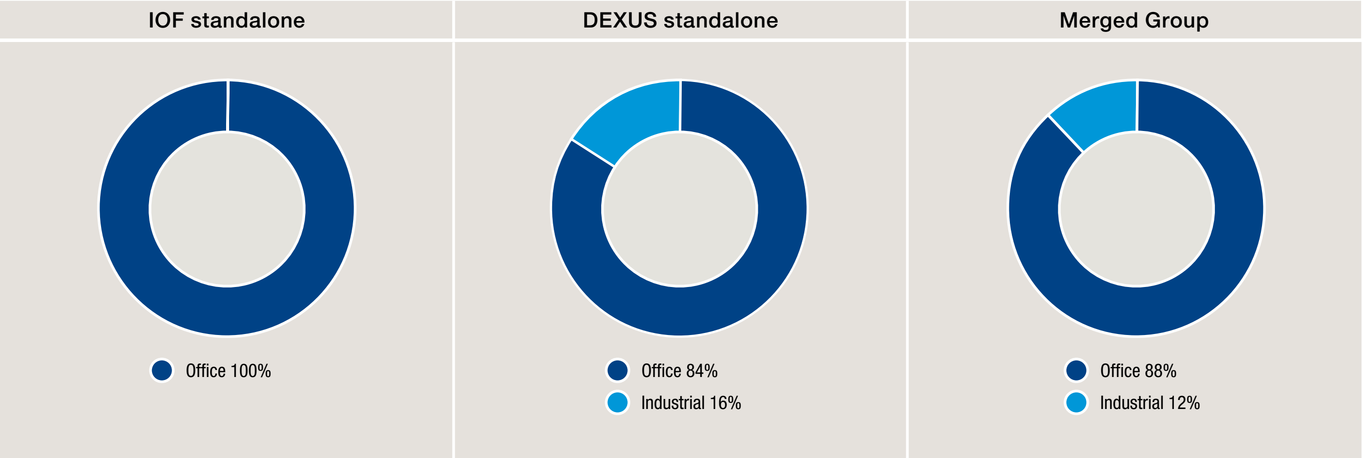
1. Change in the nature of the investment by IOF Unitholders

IOF consists of a portfolio of Australian office assets. If the Proposal is implemented, IOF Unitholders who receive DEXUS Securities as part of their Proposal Consideration will have exposure to the more diverse operations of DEXUS.

DEXUS's activities include:

- **Asset ownership**: which, as for IOF, is primarily focused on Australian office properties, but in the case of DEXUS also includes Australian industrial properties (as set out below in figure 4.9, office portfolio exposure reduces from 100% of the portfolio for IOF to 88% of the portfolio for the Merged Group); and
- **Corporate activities**: which includes Third Party Funds Management, property services and development and trading activities.

Figure 4.9: Asset ownership[a]



a. Figures include directly owned assets only.

DEXUS's target is that 80-90% of their FFO will be generated from asset ownership and 10-20% from its corporate activities (which include its fund management and property services and trading businesses). This FFO split is expected to remain as the target for the Merged Group if the Proposal becomes Effective and is implemented.

Further detail of the profile of the Merged Group is set out in Section 9 of this Explanatory Memorandum and the risks associated with an investment in the Merged Group are considered in Section 11 of this Explanatory Memorandum.

2. Reduction in IOF's equivalent net tangible asset value per security

The implementation of the Proposal is expected to result in IOF's equivalent net tangible asset value per IOF Unit reducing from $3.98 to $3.83.[10] This reduction is largely due to the:

> intangible value included in the DEXUS Security price; and

> transaction costs associated with implementing the Proposal.

DEXUS's intangible value relates to the value attributed to its corporate activities which are not reflected in its NTA. If the Proposal becomes Effective and is implemented, IOF Unitholders who receive new DEXUS Securities will gain exposure to the Merged Group's intangible value but (as per DEXUS on a standalone basis) this intangible value will not be reflected in the Merged Group's NTA. The impact is that IOF Unitholders who receive new DEXUS Securities will experience a reduction in their equivalent NTA but will gain exposure to the Merged Group's intangible value.

This reduction in IOF's equivalent NTA may be similar to the impact on IOF if IOF was to acquire its own management rights where the value of the management rights would be reflected as intangible value and not reflected in the IOF NTA.

3. The Merged Group is expected to have higher gearing than IOF

IOF has a target gearing range of 25% to 35%. DEXUS has a target gearing range of 30% to 40%. The gearing target of the Merged Group is expected to align with that of DEXUS, being 30% to 40%.

The Merged Group is expected to have pro forma look-through gearing of 33.5%, which is 5.0% higher than IOF's look-through gearing of 28.5% as at 31 December 2015. At this level, gearing would still be within IOF's target gearing range and is expected to be below the midpoint of the Merged Group's target gearing range.

4. Potential variability in the implied offer price for movements in the DEXUS Security price

If the Proposal becomes Effective and is implemented, the total consideration payable to all IOF Unitholders includes in aggregate approximately 260.4 million new DEXUS Securities. IOF Unitholders should therefore note that the implied value of the Proposal Consideration has the potential to be influenced by the movements in the trading price of the DEXUS Securities. The future value of DEXUS Securities may fall as well as rise which will cause the value of consideration under the Proposal to correspondingly fall and rise.

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[10] Based on the Scrip Equivalent of the Implied Offer Number.

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

Notwithstanding the Independent Directors' unanimous recommendation and the Independent Expert's opinion that the Proposal is in the best interests of IOF Unitholders, you may believe that the Proposal is not in your best interests.

6. You will not know the outcome of your Election until after the Record Date

While the combination of cash and new DEXUS Securities that will comprise the Standard Consideration is known, the combination of cash and new DEXUS Securities which IOF Unitholders who make an Election for the Maximum Cash Consideration or the Maximum Scrip Consideration will receive is subject to scale-back (see Section 5.3 this Explanatory Memorandum) and is not currently known. Whether scale-back will occur cannot be determined until after the Record Date.

Accordingly, the amount of cash and new DEXUS Securities to be received by each IOF Unitholder making an Election, other than an Election to receive Standard Consideration, will only be known after the Record Date, when any required scale-back has been calculated in accordance with the terms of the Proposal, and an IOF Unitholder may not receive the exact Proposal Consideration chosen in their Election. See Section 5.3(g) of this Explanatory Memorandum for worked examples of the potential outcome of Elections, depending on the percentage of IOF Unitholders who make, or are deemed to have made, an Election for each form of Proposal Consideration.

5

OVERVIEW OF THE PROPOSAL

5.1 Overview of the Proposal

If the Proposal becomes Effective and is implemented then:

> the Bidder will acquire all of the IOF Units;

> Eligible IOF Unitholders will receive in accordance with their Election (or deemed Election):

– Standard Consideration, being $0.8229 cash and 0.4240 DEXUS Securities for each IOF Unit held at the Record Date (on the terms as described in Section 5.3(a) of this Explanatory Memorandum);

– Maximum Cash Consideration (on the terms, including scale-back, as described in Section 5.3(b) of this Explanatory Memorandum); or

– Maximum Scrip Consideration (on the terms, including scale-back, as described in Section 5.3(c) of this Explanatory Memorandum);

> to the extent an Eligible IOF Unitholder has not made an Election by the Election Date (expected to be Wednesday, 20 April 2016 at 5.00pm (Sydney time)) or has made an invalid Election or becomes an IOF Unitholder after the Election Date, they will be deemed to have elected the Standard Consideration;

> Eligible IOF Unitholders will become entitled to receive the Proposal Consideration which they have elected, or been deemed to have elected, subject to the terms of any scale-back;

> Ineligible Overseas Unitholders and Electing Minimum Holders may also make an Election for Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration on the same terms as Eligible IOF Unitholders. However they will receive cash instead of any DEXUS Securities which they would otherwise be entitled to receive (including to the extent they have made an Election, or been deemed to have made an Election, to receive DEXUS Securities, through the Sale Facility. See Section 5.3(d) and 5.3(e) of this Explanatory Memorandum for further detail);

> IOF Unitholders should note that the provision of Proposal Consideration, including any scale-back for Maximum Cash Consideration or Maximum Scrip Consideration, will be based on a fixed price for DEXUS Securities being the DEXUS Reference Price (which is $7.76 (rounded to two decimal places)) and a fixed offer value per IOF Unit being the Implied Announcement Value (being $4.1147 per IOF Unit). For example, to the extent an IOF Unitholder who selects Maximum Cash Consideration is subject to scale-back, the component of the Implied Announcement Value which cannot be satisfied in cash will be satisfied in DEXUS Securities provided at the DEXUS Reference Price. To the extent that DEXUS Securities trade below or above the DEXUS Reference Price, IOF Unitholders may wish to take this into account in making their Elections as the implied value of the Proposal Consideration is impacted by the value of DEXUS Securities. As at 3 March 2016, being the last practicable date prior to the date of this Explanatory Memorandum, the closing price of DEXUS Securities was $7.85;

Prior to the Meeting, IOF intends to provide an update to IOF Unitholders regarding the value of DEXUS Securities and, to the extent it considers appropriate, interim results of Elections (which results will not be made final prior to the Election Date (anticipated to be Wednesday, 20 April 2016) at 5.00pm (Sydney time));

> once made, any Election will be irrevocable; and

> IOF Unitholders are expected to comprise approximately 21.2% of the security holders in DEXUS, based on the number of DEXUS Securities on issue as at the date of this Explanatory Memorandum and subject to the number of Ineligible Foreign Unitholders or any Electing Minimum Holders.

5.2 Conditions of the Proposal

The implementation of the Proposal is subject to the satisfaction or waiver (where applicable) of a number of Conditions Precedent including:

> approval of the Proposal Resolutions at the Meeting (being 8 April 2016);

> the receipt of the First Judicial Advice and the Second Judicial Advice; and

> certain regulatory approvals.

Further details regarding the Conditions Precedent and their status are set out in Section 14.3 of this Explanatory Memorandum. As announced on 19 January 2016, DEXUS has been notified by the ACCC that it does not intend to conduct a public review of the Proposal.

5.3 Details of the Proposal Consideration

Under the Proposal, IOF Unitholders (including Ineligible Overseas Unitholders and Electing Minimum Holders) may elect to receive one of three alternatives being Standard Consideration, Maximum Cash Consideration or Minimum Scrip Consideration. The scrip consideration will take the form of new DEXUS Securities. To receive the Proposal Consideration, you must hold IOF Units at the Record Date. Ineligible Overseas Unitholders and Electing Minimum Holders should note that despite any Election they make (or are deemed to make) they will not receive new DEXUS Securities. Instead, they will receive cash as a result of the sale of any new DEXUS Securities they would have been entitled to through the Sale Facility.

a. Standard Consideration

IOF Unitholders may elect to receive, and, in the absence of any Election each Proposal Participant will be deemed to have elected to receive, the Standard Consideration, being $0.8229 plus 0.4240 new DEXUS Securities for every IOF Unit held by it on the Record Date.

IOF Unitholders who are also Minimum Holders may elect to participate in the Sale Facility. The operation of the Sale Facility is discussed further in Section 5.3(f) of this Explanatory Memorandum.

Ineligible Overseas Unitholders and Electing Minimum Holders should note that if they elect (or are deemed to elect) Standard Consideration they will not receive any new DEXUS Securities. Instead they will participate in the Sale Facility described in Section 5.3(f) of this Explanatory Memorandum and receive cash instead of the new DEXUS Securities that they would have otherwise received.

IOF Unitholders will not receive any fractions of new DEXUS Securities or any fractions of cents as part of their Proposal Consideration. Any cash amount payable to an IOF Unitholder will be rounded down to the nearest whole cent and any entitlement to a fraction of a new DEXUS Security will be rounded down to the nearest whole number of new DEXUS Securities. See Section 12.6 of this Explanatory Memorandum for further information on fractional entitlements and rounding.

b. Maximum Cash Consideration

IOF Unitholders may elect to receive the Maximum Cash Consideration. This allows IOF Unitholders to elect to receive more of the Cash Component and less of the Scrip Component than under the Standard Consideration. If an IOF Unitholder elects to receive the Maximum Cash Consideration, then they will be entitled to receive, and will receive, the Implied Announcement Value for each IOF Unit held by that IOF Unitholder on the Record Date, unless the Maximum Cash Consideration is subject to scale-back. The minimum amount of cash that will be payable under the Maximum Cash Consideration is $0.8229 for each IOF Unit held by that IOF Unitholder on the Record Date.

The Maximum Cash Consideration will be subject to scale-back if the amount determined by multiplying the Implied Announcement Value by the total number of IOF Units held by Proposal Participants who elect Maximum Cash Consideration exceeds the Available Cash Consideration.

If a scale-back applies to Proposal Participants who elect Maximum Cash Consideration, then Proposal Participants who elect to receive Maximum Cash Consideration will, subject to the operation of the Sale Facility as discussed in Section 5.3(f) of this Explanatory Memorandum, receive:

1. an amount of cash per IOF Unit calculated as follows:

   $A \div B$

   where:

   A = the Available Cash Consideration;

   B = the total number of IOF Units held at the Record Date by all Proposal Participants who make a Maximum Cash Election; and

2. a number of new DEXUS Securities per IOF Units calculated as follows:

   $(\text{Implied Announcement Value} - X) \div Y$

   where:

   X = the amount of cash per IOF Unit determined in accordance with Section 5.3(b)(1) of this Explanatory Memorandum; and

   Y = the DEXUS Reference Price (which is 7.76 (rounded to two decimal places)).

   Any fraction of a cent or of a new DEXUS Security after applying the foregoing principles to a Proposal Participant's total holding will be dealt with as outlined in Section 12.6(a) of this Explanatory Memorandum.

   Ineligible Overseas Unitholders and Electing Minimum Holders should note that if they elect Maximum Cash Consideration and the Maximum Cash Consideration is subject to scale-back, they will not receive any new DEXUS Securities. Instead they will, in respect of any new DEXUS Securities to which they otherwise may have been entitled under the formulas set out above, be deemed to have elected to participate in the Sale Facility described below.

c. Maximum Scrip Consideration

IOF Unitholders may elect to receive the Maximum Scrip Consideration. This allows IOF Unitholders to elect to receive less of the Cash Component and more of the Scrip Component then under the Standard Consideration.

If an IOF Unitholder elects to receive the Maximum Scrip Consideration, then, they will be entitled to receive, and will receive, an amount of DEXUS Securities equal to the Scrip Equivalent of the Implied Offer Number for each IOF Unit held by that IOF Unitholder on the Record Date, unless the Maximum Scrip Consideration is subject to scale-back and subject to the operation of the Sale Facility as discussed in Section 5.3(f) of this Explanatory Memorandum.

The Maximum Scrip Consideration will be subject to scale-back if the number of DEXUS Securities determined by multiplying the Scrip Equivalent of the Implied Offer Number by the total number of IOF Units held by all Proposal Participants who make an Election for Maximum Scrip Consideration exceeds the Available Scrip Consideration. The minimum amount of scrip that will be provided under the Maximum Scrip Consideration is 0.4240 new DEXUS Securities for each IOF Unit held by that IOF Unitholder on the Record Date.

If scale-back applies to Proposal Participants who elect Maximum Scrip Consideration then Proposal Participants who elected to receive Maximum Scrip Consideration will, subject to the operation of the Sale Facility as discussed in Section 5.3(f) of this Explanatory Memorandum, receive, for each IOF Unit they hold:

1. a number of new DEXUS Securities per IOF Unit calculated as follows, provided that such number is not to exceed the Scrip Equivalent of the Implied Offer Number:

   A ÷ B

   where:

   A = the Available Scrip Consideration;

   B = the total number of IOF Units held at the Record Date by all Proposal Participants who make a Maximum Scrip Election; and

2. an amount of cash per IOF Unit calculated as follows:

   Implied Announcement Value – (X × Y)

   where:

   X = the number of new DEXUS Securities per IOF Unit determined in accordance with Section 5.3(c)(1) of this Explanatory Memorandum; and

   Y = the DEXUS Reference Price of a DEXUS Security (which is 7.76 (rounded to two decimal places)).

   Any fraction of a cent or a new DEXUS Security after applying the foregoing principles to a Proposal Participant's total holding will be dealt with as outlined in Section 12.6(a) of this Explanatory Memorandum.

   Ineligible Overseas Unitholders and Electing Minimum Holders should note that if they elect Maximum Scrip Consideration they will not receive any new DEXUS Securities, regardless of whether or not the Maximum Scrip Consideration is subject to scale-back. Instead they will, in respect of any new DEXUS Securities to which they otherwise may have been entitled under the formulas set out above, be deemed to have elected to participate in the Sale Facility described below.

d. Ineligible Overseas Unitholders

Ineligible Overseas Unitholders may make the Elections described in Sections 5.3(a), 5.3(b) or 5.3(c) of this Explanatory Memorandum on the same terms, including as to scale-back, as Eligible IOF Unitholders.

However, new DEXUS Securities will not be issued to Ineligible Overseas Unitholders. Instead, DEXUS RE must procure that those new DEXUS Securities to which the Ineligible Overseas Unitholder may otherwise have been entitled, are sold pursuant to the Sale Facility described in Section 5.3(f) of this Explanatory Memorandum.

e. Minimum Holders

An IOF Unitholder who is entitled to receive a parcel of new DEXUS Securities under the terms of the Proposal with a value of less than $500 (calculated as at the close of trading on the Effective Date) may make the Elections described in Sections 5.3(a), 5.3(b) or 5.3(c) of this Explanatory Memorandum on the same terms, including as to scale-back, as Eligible IOF Unitholders.

However, Eligible IOF Unitholders who are also Minimum Holders may elect to participate in the Sale Facility. The operation of the Sale Facility is described further in Section 5.3(f) of this Explanatory Memorandum.

f. Sale Facility

The following new DEXUS Securities (each a **Sale Security**) will be provided by DEXUS RE to the Sale Agent:

1. new DEXUS Securities that would have otherwise been provided or caused to be provided to Ineligible Overseas Unitholders on the Implementation Date if they were Eligible IOF Unitholders; and
2. new DEXUS Securities that would have otherwise been provided or caused to be provided to a Minimum Holder where that Minimum Holder has elected to participate in the Sale Facility. The Sale Agent will conduct the sale of the Sale Securities in such manner as the Sale Agent determines in good faith.

DEXUS RE will procure that as soon as practicable after the Implementation Date, and in any event, not more than 15 Business Days after the Implementation Date, the Sale Agent, sells or procures the sale of all of the Sale Securities and remits the proceeds of the sale.

As the market price of DEXUS Securities will be subject to change from time to time, the sale price of those new DEXUS Securities sold through the Sale Facility and the proceeds of that sale cannot be guaranteed. The proceeds received by IOF Unitholders who participate in the Sale Facility will depend on the price at which the DEXUS Securities can be sold under the Sale Facility at the relevant time, applicable exchange rates (if sales are made in a currency other than Australian dollars) and the amount of any applicable taxes, duty, currency conversion or other costs and charges incurred by the Sale Agent in connection with sales under the Sale Facility. An IOF Unitholder's pro rata share of the proceeds of sale under the Sale Facility may be more or less than the value of the new DEXUS Securities that the IOF Unitholder would have received. None of ILFML, DEXUS RE or the Sale Agent gives any assurance as to the price that will be achieved for the sale of new DEXUS Securities by the Sale Agent under the Sale Facility.

The net proceeds of the sale (after deducting any applicable taxes, duty, currency conversion or other costs and charges) will be distributed by ILFML to relevant Proposal Participants on a pro rata basis (by reference to the number of their Sale Securities and/or fractions of Sale Securities that participated in the Sale Facility) in accordance with the payment mechanics for cash consideration as set out in Section 12.7 of this Explanatory Memorandum.

No brokerage will be payable in respect of Sale Securities participating in the Sale Facility.

In providing services to DEXUS in connection with the Sale Facility and the sale of Sale Securities, the Sale Agent is not acting as agent or sub agent of any Electing Minimum Holder or Ineligible Overseas Unitholder, does not have any duties or obligations (fiduciary or otherwise) to any Electing Minimum Holder or Ineligible Overseas Unitholder and does not underwrite the sale of any Sale Securities. Any Sale Agent who is appointed, together with its affiliates, will be a full service financial institution engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. See Attachment 5 of this Explanatory Memorandum for further details regarding the Sale Facility.

Offers and sales of Sale Securities under the Sale Facility will not be registered under the U.S. Securities Act and, therefore, may only be sold outside the US to non-U.S. persons in "offshore transactions", in accordance with the requirements of Regulation S under the U.S. Securities Act. Further information on the market price of DEXUS Securities is available at www.asx.com.au (ticker DXS).

g. Worked examples

The tables below illustrate the potential Election outcomes for IOF Unitholders who make an Election to receive Maximum Cash Consideration or Maximum Scrip Consideration depending on the total Elections made by other IOF Unitholders. In each case, IOF Unitholders who make (or are deemed to have made) an Election to receive Standard Consideration will receive $0.8229 plus 0.4240 new DEXUS Securities for every IOF Unit held. In accordance with the operations of the Sale Facility as discussed in Section 5.3(f) of this Explanatory Memorandum the outcome for Ineligible Overseas Unitholders and Electing Minimum Holders will differ to the numbers in the tables below. The numbers in the tables below are approximate and have been rounded to four decimal points.

Figure 5.1: Consideration received by Proposal Participants who elect Maximum Cash Consideration[1]

% of IOF Unitholders electing Maximum Cash Consideration

% of IOF Unitholders electing Maximum Scrip Consideration

	1%	10%	20%	30%	40%	50%	60%	70%	80%	90%	99%
1%	$1.6458 & 0.3180 DXS Securities	$0.9052 & 0.4134 DXS Securities	$0.8640 & 0.4187 DXS Securities	$0.8503 & 0.4205 DXS Securities	$0.8435 & 0.4214 DXS Securities	$0.8394 & 0.4219 DXS Securities	$0.8366 & 0.4222 DXS Securities	$0.8347 & 0.4225 DXS Securities	$0.8332 & 0.4227 DXS Securities	$0.8320 & 0.4228 DXS Securities	$0.8312 & 0.4229 DXS Securities
10%	$4.1147	$1.6458 & 0.3180 DXS Securities	$1.2344 & 0.3710 DXS Securities	$1.0972 & 0.3887 DXS Securities	$1.0286 & 0.3975 DXS Securities	$0.9875 & 0.4028 DXS Securities	$0.9601 & 0.4063 DXS Securities	$0.9405 & 0.4089 DXS Securities	$0.9258 & 0.4108 DXS Securities	$0.9143 & 0.4122 DXS Securities	
20%	$4.1147	$2.4687 & 0.2120 DXS Securities	$1.6458 & 0.3180 DXS Securities	$1.3715 & 0.3533 DXS Securities	$1.2344 & 0.3710 DXS Securities	$1.1521 & 0.3816 DXS Securities	$1.0972 & 0.3887 DXS Securities	$1.0580 & 0.3937 DXS Securities	$1.0286 & 0.3975 DXS Securities		
30%	$4.1147	$3.2916 & 0.1060 DXS Securities	$2.0573 & 0.2650 DXS Securities	$1.6458 & 0.3180 DXS Securities	$1.4401 & 0.3445 DXS Securities	$1.3166 & 0.3604 DXS Securities	$1.2344 & 0.3710 DXS Securities	$1.1756 & 0.3786 DXS Securities			
40%	$4.1147	$4.1145 & 0.0000 DXS Securities	$2.4687 & 0.2120 DXS Securities	$1.9201 & 0.2827 DXS Securities	$1.6458 & 0.3180 DXS Securities	$1.4812 & 0.3392 DXS Securities	$1.3715 & 0.3533 DXS Securities				
50%	$4.1147	$4.1147	$2.8802 & 0.1590 DXS Securities	$2.1944 & 0.2473 DXS Securities	$1.8515 & 0.2915 DXS Securities	$1.6458 & 0.3180 DXS Securities					
60%	$4.1147	$4.1147	$3.2916 & 0.1060 DXS Securities	$2.4687 & 0.2120 DXS Securities	$2.0573 & 0.2650 DXS Securities						
70%	$4.1147	$4.1147	$3.7031 & 0.0530 DXS Securities	$2.7430 & 0.1767 DXS Securities							
80%	$4.1147	$4.1147	$4.1145 & 0.0000 DXS Securities								
90%	$4.1147	$4.1147									
99%	$4.1147										

For example, if 10% of IOF Unitholders elect to receive Maximum Cash Consideration and 20% of IOF Unitholders elect to receive Maximum Scrip Consideration (with all other IOF Unitholders electing or being deemed to have elected Standard Consideration), then an IOF Unitholder who elected to receive Maximum Cash Consideration will receive $2.4687 and 0.2120 DEXUS Securities per IOF Unit they hold.[1]

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1. Figures rounded to four decimal places.

Figure 5.2: Consideration received by Proposal Participants who elect Maximum Scrip Consideration[2]

% of IOF Unitholders electing Maximum Cash Consideration

% of IOF Unitholders electing Maximum Scrip Consideration

	1%	10%	20%	30%	40%	50%	60%	70%	80%	90%	99%
1%	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities
10%	$0.4934 & 0.4664 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	
20%	$0.6582 & 0.4452 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities		
30%	$0.7131 & 0.4381 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities			
40%	$0.7406 & 0.4346 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities				
50%	$0.7570 & 0.4325 DXS Securities	$0.1645 & 0.5088 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities					
60%	$0.7680 & 0.4311 DXS Securities	$0.2743 & 0.4947 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities						
70%	$0.7759 & 0.4301 DXS Securities	$0.3526 & 0.4846 DXS Securities	0.5300 DXS Securities	0.5300 DXS Securities							
80%	$0.7817 & 0.4293 DXS Securities	$0.4114 & 0.4770 DXS Securities	0.5300 DXS Securities								
90%	$0.7863 & 0.4287 DXS Securities	$0.4571 & 0.4711 DXS Securities									
99%	$0.7896 & 0.4283 DXS Securities										

For example, if 10% of IOF Unitholders elect to receive Maximum Cash Consideration and 20% of IOF Unitholders elect to receive Maximum Scrip Consideration (with all other IOF Unitholders electing or being deemed to have elected Standard Consideration), then an IOF Unitholder who elected to receive Maximum Scrip Consideration will receive 0.5300 DEXUS Securities for every IOF Unit they hold.[2]

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2. Figures rounded to four decimal places.

5.4 IOF Unitholders' approvals

IOF Unitholders will be asked to consider, and if thought fit, pass the following Proposal Resolutions:

a. an ordinary resolution to approve the Proposal for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes including the acquisition of a Relevant Interest in all the IOF Units by Bidder (**Trust Acquisition Resolution**); and

b. conditional on (a), a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the definition of "Proposal" in the IOF Constitutions and to provide that the definition includes the Proposal described in this Explanatory Memorandum and to approve of that Proposal (**Trust Constitution Amendment Resolution**).

5.5 Required voting majorities, entitlements to vote and voting exclusions

a. Persons entitled to vote at the Meeting

Subject to the voting restrictions set out in Section 5.5(b) of this Explanatory Memorandum, each IOF Unitholder who is on the IOF Register at the Voting Record Date is entitled to attend and vote at the Meeting either in person, by proxy, by attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with section 253B of the Corporations Act.

In a resolution of IOF determined by poll, each IOF Unitholder present in person or by proxy has one vote for every dollar of its total interest held in IOF (held via IOF Units). The value of an IOF Unitholder's total interest in IOF will be calculated by reference to the last sale price of IOF Units on ASX on Thursday, 7 April 2016.

b. Voting requirements for the Proposal Resolutions to be considered at the Meeting

For the Proposal Resolutions to be approved:

1. the Trust Acquisition Resolution must be passed by at least 50% of the total number of votes cast on the relevant resolutions by IOF Unitholders entitled to vote on the Trust Acquisition Resolution at the Meeting.

   Voting exclusions

   For the purposes of this Proposal Resolution, and in accordance with item 7, section 611 and section 253E of the Corporations Act, Bidder and its associates must not cast any votes in favour of the resolution, and ILFML and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of IOF; and

2. the Trust Constitution Amendment Resolution must be passed by at least 75% of the total number of votes cast on the relevant resolution by IOF Unitholders entitled to vote on the Trust Constitution Amendment Resolution at the Meeting.

   Voting exclusions

   For the purposes of this Proposal Resolution, and in accordance with section 253E of the Corporations Act, ILFML and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of IOF.

Voting at the Meeting will be by poll. Instructions on how to attend and vote at the Meeting are set out in Attachment 4 of this Explanatory Memorandum.

5.6 Court approval

If the Proposal Resolutions are approved by the requisite majorities of IOF Unitholders at the Meeting and all Conditions Precedent have been satisfied or waived (if applicable), ILFML will apply to the Court for the Second Judicial Advice in respect of the Proposal.

5.7 Recommendation of the Independent Directors

The Independent Directors unanimously recommend that you **vote in favour** of the Proposal Resolutions, in the absence of a Superior Proposal or the Independent Expert changing its recommendation. See Section 4 of this Explanatory Memorandum for further details in this regard.

5.8 Independent Expert's conclusion

The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal.

IOF Unitholders should carefully review the Independent Expert's Report in its entirety. The Independent Expert's Report is included in Attachment 2 of this Explanatory Memorandum.

5.9 Tax implications

The Proposal should give rise to a CGT event for the IOF Unitholders. IOF Unitholders who hold their IOF Units on capital account should realise either a capital gain or capital loss.

Any capital gain made by Australian resident IOF Unitholders may be eligible for partial scrip for scrip rollover relief. A class ruling is being sought from the ATO confirming whether scrip for scrip rollover relief is available to the extent that IOF Unitholders exchange their IOF Units for new DEXUS Securities. For detailed tax implications of the Proposal, refer to the Taxation Report in Section 13 of this Explanatory Memorandum which sets out the general Australian taxation implications for IOF Unitholders in respect of the Proposal.

5.10 No brokerage or stamp duty

No brokerage or stamp duty will be payable by Proposal Participants on the transfer of their IOF Units to the Bidder under the Proposal or the receipt by Proposal Participants of the Proposal Consideration.

5.11 Implications if the Proposal is not approved

a. General implications

If any of the Proposal Resolutions are not approved, or any other Conditions Precedent are not satisfied or waived (if applicable), and the Proposal does not proceed:

1. IOF will remain listed on ASX;
2. the expected benefits of the Proposal will not be realised and the potential disadvantages and risks associated with the Proposal will not arise;
3. IOF Unitholders will retain their IOF Units;
4. IOF Unitholders will not receive the Proposal Consideration, and
5. the trading price of IOF's Securities on ASX may fall.

Before the Meeting, ILFML estimates that it will have incurred or committed one-off transaction costs of approximately $3.6 million in relation to the Proposal. These costs have already been incurred or will be payable by ILFML regardless of whether or not the Proposal is implemented.

b. Implications in connection with the Platform Sale by Morgan Stanley

If the Proposal is not approved and implemented, IOF will continue to be externally managed by IOM. However, in February 2015 Morgan Stanley instigated a sale process which has resulted in a change in the ultimate ownership of IOM.

On 22 February 2016, IWFML announced it had entered into a binding agreement to purchase all of the shares in IOMH, the owner of IOM. The Independent Directors have been advised that the Platform Sale has completed and that a company stapled to ICPF has acquired the shares in IOMH. ICPF is an unlisted property fund. The Independent Directors have requested further information in relation to the Platform Sale from Morgan Stanley and IWFML.

If the Proposal is not approved, IOF will continue to be externally managed by IOM.

ILFML has received confirmation from all noteholders under its USPP arrangements and from all financiers under its bank debt arrangements that they will not request repayment of any financial indebtedness owed to them before maturity as a result of the implementation of the Platform Sale. This means that no waiver is needed under ILFML's MTN arrangements.

6

PROFILE OF IOF

6.1 Overview of IOF

IOF is an ASX-listed REIT and is a leading owner of investment grade office buildings across major Australian CBDs. As at 31 December 2015, IOF's property interests were valued at $3.499 billion across 22 properties.

IOF is comprised of the Armstrong Jones Office Fund (**AJO Fund**) and the Prime Credit Property Trust (**PCP Trust**), which are two managed investment schemes registered with ASIC. The securities in the AJO Fund and the PCP Trust are stapled, with each IOF stapled security quoted on ASX comprising one unit in each of the AJO Fund and PCP Trust.

As at 3 March 2016, IOF has a market capitalisation of $2.5 billion and is included in the S&P/ASX 100 index. IOF's securityholder base is diverse with over 15,000 investors.

For additional information on IOF, visit www.investa.com.au/IOF.

IOF has been externally managed by members of the Investa Property Group since 2011. ILFML, the responsible entity of IOF, is owned by IOM, a subsidiary of IOMH. IOF has no employees and IOM, either itself or through members of the Investa Office Management Platform, provides all of the funds management services required by IOF in exchange for management fees paid by IOF.

Since 2011 until a few days before the date of this Explanatory Memorandum, IOF's manager was ultimately controlled by funds associated with Morgan Stanley. In February 2015, Morgan Stanley commenced a formal sale process regarding its investment in Investa Property Group. On 22 February 2016, IWFML announced it had entered into a binding agreement to purchase all of the shares in IOMH, the owner of IOF's manager, IOM. IWFML announced that the acquisition would be made by a new company to be stapled to ICPF. ICPF is an unlisted property fund. The Independent Directors have been advised that the Platform Sale has completed and that a company stapled to ICPF has acquired the shares in IOMH.[1]

6.2 Strategy

IOF's strategy is to deliver sustainable risk-adjusted returns within a disciplined investment framework from Australian office real estate to IOF Unitholders.

This strategy is delivered through a focus on the following:

Proactive asset management	Enhance property portfolio returns by: > actively addressing short-term and key lease expiries; > continued investment in assets to deliver income returns and improved asset value through the real estate cycle; > leveraging the capabilities of the Investa Office platform to optimise operational performance; and > continued focus on environmental sustainability for all assets.
Dynamic portfolio management	Enhance and grow IOF's investment property portfolio in major Australian CBD markets by owning assets across the risk-return spectrum: > core assets – these assets will provide a solid income base to support sustainable distributions; > value add assets – these assets offer greater opportunity for growth through redevelopment, re-leasing or operational performance and improvement; and > tactical assets – these properties are typically smaller and are not considered part of IOF's long-term portfolio positioning.

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[1] The Independent Directors have requested further information in relation to the Platform Sale from Morgan Stanley and IWFML.

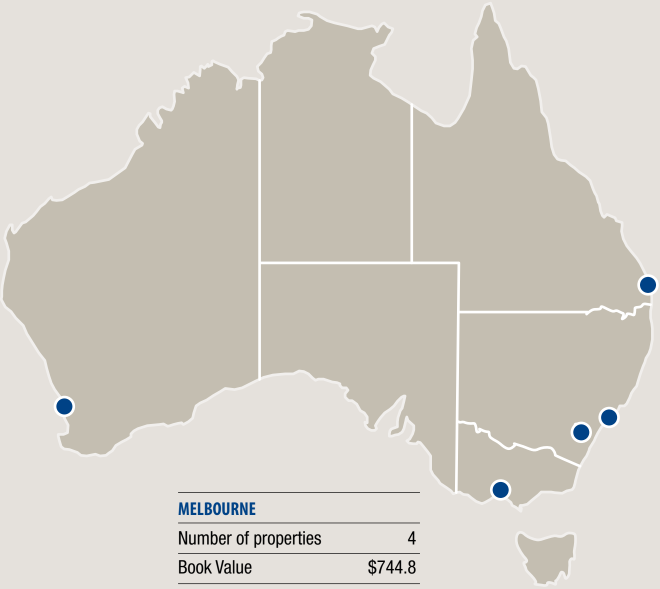
Focused capital management	Optimise investment returns through prudent and disciplined capital management by: > maintaining diversified debt sources and diversified debt maturity profile; > maintaining a sustainable level of distributions, by distributing between 90-100% of AFFO through the cycle; > targeting gearing range of 25% to 35%; and > maintaining the BBB+ S&P credit rating.

6.3 Portfolio overview

As at 31 December 2015, IOF's property portfolio consisted of 22 office investments with a book value of $3.499 billion.

The portfolio is predominantly weighted to Premium Grade (15%) and A-Grade (64%) assets with a geographic focus on New South Wales (58%) and Victoria (21%). A summary of IOF's portfolio is set out below.

Figure 6.1: IOF portfolio snapshot



BRISBANE	
Number of properties	5
Book Value	$477.7
% of IOF portfolio value	13.6%

SYDNEY/NORTH SYDNEY	
Number of properties	10
Book Value	$2,047.6
% of IOF portfolio value	58.5%

PERTH	
Number of properties	2
Book Value	$135.1
% of IOF portfolio value	3.9%

MELBOURNE	
Number of properties	4
Book Value	$744.8
% of IOF portfolio value	21.3%

CANBERRA	
Number of properties	1
Book Value	$93.8
% of IOF portfolio value	2.7%

Figure 6.2: IOF portfolio metrics

	As at 31 Dec 15
Occupancy (by income)	94%[a]
WALE (by income)	5.0 years[a]
Retention	64%
Like-for-like NPI growth	1.9%
Weighted average capitalisation rate	6.33%[b]
Over/(under) renting – face rents	4.1%
Portfolio NLA	414,380 sqm[c]
Number of property investments	22
Book value	$3,499.0m

a. Excluding 151 Clarence Street, Sydney (property under development).

b. Excluding 383 La Trobe Street, Melbourne (asset contracted for sale) and 151 Clarence Street, Sydney (property under development).

c. IOF proportionate ownership.

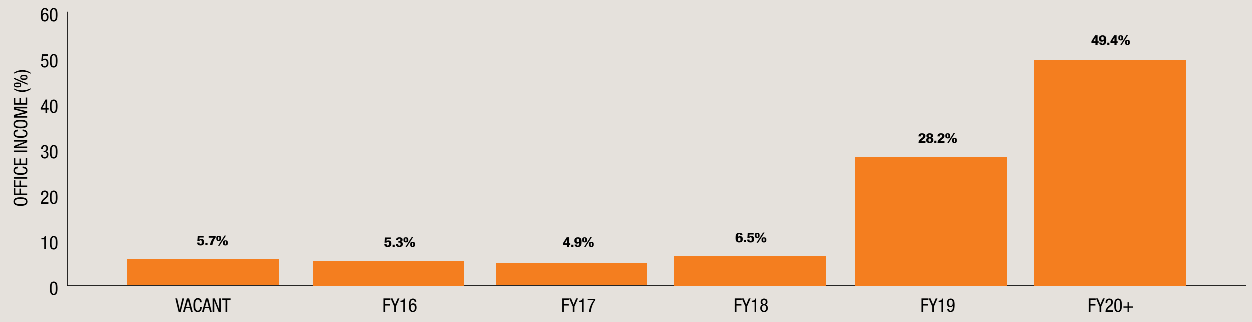
A list of IOF's properties and their key metrics is set out below.

Figure 6.3: Property portfolio

Name/Address	Location	State	Interest	Building type	Book value ($m)	NLA[a] (sqm)	Cap rate (%)	WALE by income (yrs)	Occupancy (by income)
126 Phillip Street	Sydney	NSW	25.0%	Premium	232.7	42,166	5.00	4.8	95%
347 Kent Street	Sydney	NSW	100.0%	A Grade	275.0	26,261	6.13	3.3	100%
388 George Street	Sydney	NSW	50.0%	A Grade	210.1	38,743	6.00	2.9	99%
Piccadilly Complex	Sydney	NSW	50.0%	A Grade	238.2	47,333	6.24	5.1	99%
10-20 Bond Street	Sydney	NSW	50.0%	A Grade	227.9	38,271	5.81	3.8	100%
151 Clarence Street	Sydney	NSW	100.0%	B Grade	88.2	16,873	n/a	0.2	89%
6 O'Connell Street	Sydney	NSW	100.0%	B Grade	162.7	16,110	6.25	2.4	96%
105-151 Miller Street	North Sydney	NSW	100.0%	B Grade	225.0	26,811	6.75	4.5	100%
99 Walker Street	North Sydney	NSW	100.0%	A Grade	214.7	19,266	6.00	9.2	96%
111 Pacific Highway	North Sydney	NSW	100.0%	A Grade	173.1	18,669	6.50	3.0	99%
567 Collins Street	Melbourne	VIC	50.0%	Premium	289.8	55,171	5.50	9.9	100%
242 Exhibition Street	Melbourne	VIC	50.0%	A Grade	257.5	65,914	6.25	4.4	100%
383 La Trobe Street	Melbourne	VIC	100.0%	B Grade	70.5	10,012	n/a	1.5	100%
800 Toorak Road	Tooronga	VIC	50.0%	A Grade	127.0	41,878	6.00	14.2	100%
140 Creek Street	Brisbane	QLD	100.0%	A Grade	169.0	28,080	7.50	4.1	77%
295 Ann Street	Brisbane	QLD	100.0%	A Grade	109.9	20,216	7.75	6.1	86%
232 Adelaide Street	Brisbane	QLD	100.0%	B Grade	16.0	4,428	8.25	3.5	87%
239 George Street	Brisbane	QLD	100.0%	B Grade	127.3	24,316	7.75	4.0	89%
15 Adelaide Street	Brisbane	QLD	100.0%	B Grade	55.5	11,492	8.25	3.3	75%
66 St Georges Terrace	Perth	WA	100.0%	A Grade	65.6	11,523	7.75	3.3	67%
836 Wellington Street	West Perth	WA	100.0%	A Grade	69.5	11,973	7.50	3.3	100%
16-18 Mort Street	Canberra	ACT	100.0%	A Grade	93.8	14,155	6.25	10.1	100%

[a] Figures shown on a 100% basis.

Figure 6.4: IOF portfolio lease expiry profile at 31 December 2015 (by income)



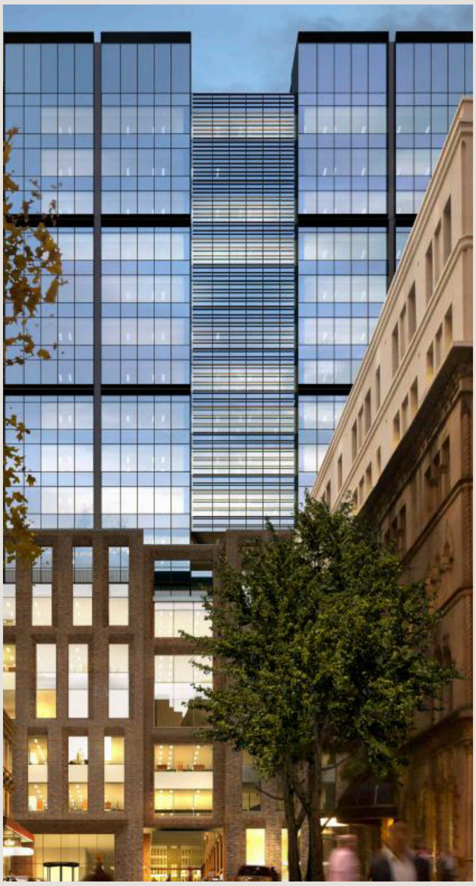
6.4 Development

As at 31 December 2015, the IOF development pipeline comprised one project totalling approximately $120 million.

a. 151 Clarence Street, Sydney (Barrack Place)

The current B-grade building will be demolished in March 2016 to make way for a 22,000 sqm, 18-storey building featuring flexible 1,200 sqm floor plates, scheduled for completion in mid to late 2018.

The project has received Stage 2 development approval and a preferred contractor has been appointed. The forecast yield on cost is 7% to 8%.



Project Timeline

April 2015
Stage 2 Planning Approval Granted

March 2016
Demolition

Mid 2016
Construction Commences

Late 2018
Completion

b. 567 Collins Street, Melbourne

This 26-level building was completed in July 2015 and features 55,000 sqm of Premium Grade office space as well as a two-storey foyer comprising a lobby and high quality retail offering. This building was Melbourne's largest Premium Grade development in 25 years.

This building was developed by Leighton Properties Pty Limited and is owned 50% by IOF and 50% by ICPF.

6.5 Financial information

Summarised in the table below is IOF's key financial performance for the last two full financial years and the six months to 31 December 2015.

Figure 6.5: Summary of key financials

	30 Jun 14	30 Jun 15	31 Dec 15
Net profit (statutory)	$183.6m	$179.2m	$280.8m
FFO	$162.6m	$169.9m	$90.0m
FFO per IOF Unit	26.5 cents	27.7 cents	14.7 cents
Distributions per IOF Unit	18.5 cents	19.25 cents	9.8 cents
NTA per IOF Unit	$3.35	$3.62	$3.98
Look-through gearing	32.0%	28.8%	28.5%

6.6 Material changes in IOF's financial position since last accounts published

Other than as disclosed in this Explanatory Memorandum, within the knowledge of the ILFML Board, the financial position of IOF has not materially changed since 31 December 2015 being the date of the statement of financial position for the half year accounts for IOF for FY16.

6.7 Capital management

IOF maintains a disciplined approach to capital management. As at 31 December 2015, IOF had a look-through gearing of 28.5%[2], a weighted average debt duration of 4.6 years, 40% of its debt hedged and a long term credit rating of 'BBB+' from Standard & Poor's.

IOF's debt profile is diversified by duration and source with no debt maturing in FY16 and 40% debt sourced in the debt capital markets.[3]

Figure 6.6: Summary debt metrics

	31 Dec 15
Drawn debt	$1,011m
Look-through gearing[a]	28.5%
Weighted average cost of debt	3.9%
Weighted average debt maturity	4.6 years
Interest rate hedged	40%
Look-through interest cover ratio	4.4x
Standard & Poor's credit rating	BBB+

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

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[2] Refer to definition of IOF look-through gearing in Section 15.1 of this Explanatory Memorandum.

[3] Updated for post balance date refinance of FY16 debt.

Figure 6.7: Average cost of debt

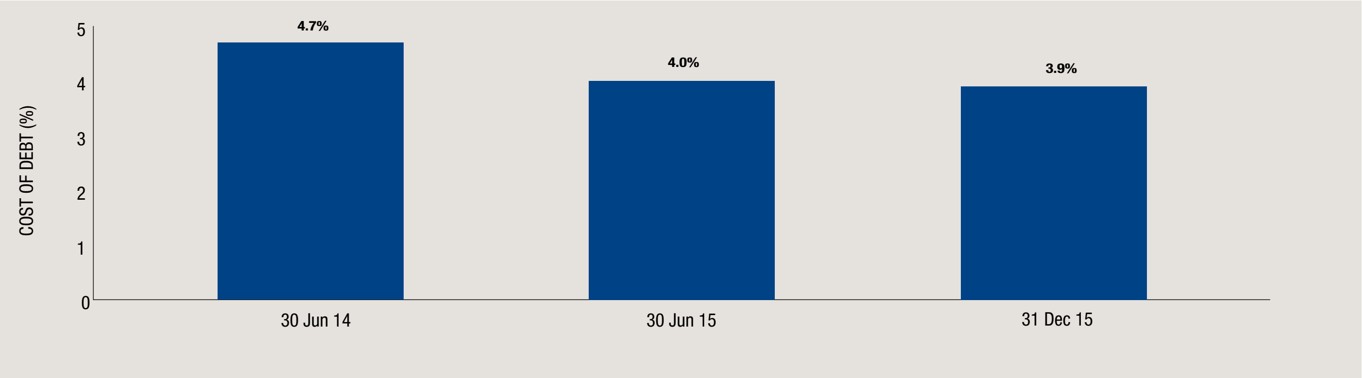
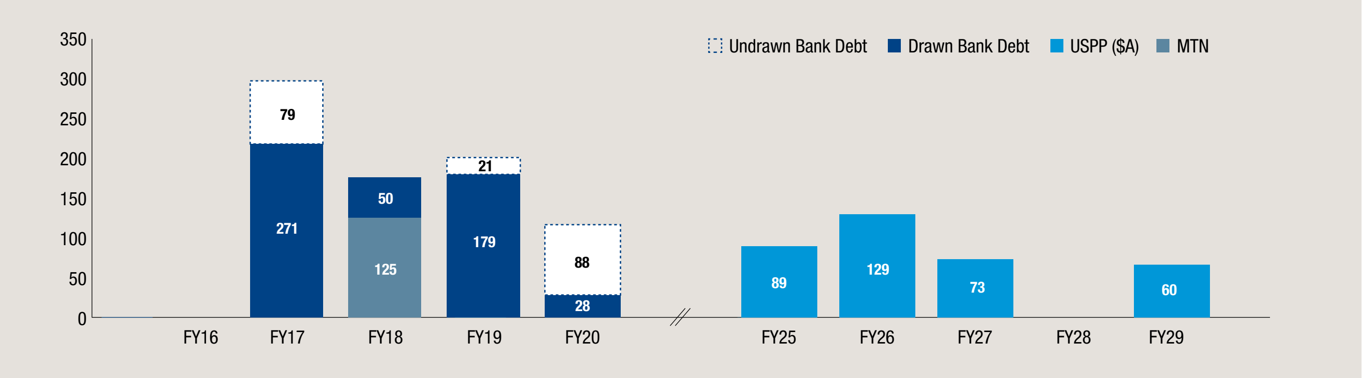


Figure 6.8: Debt maturity profile ($m)[a,b]



a. Includes the post balance date, new of $350 million bank debt facilities expiring in March 2017 and subsequent repayment of bank debt due in mid-2016.

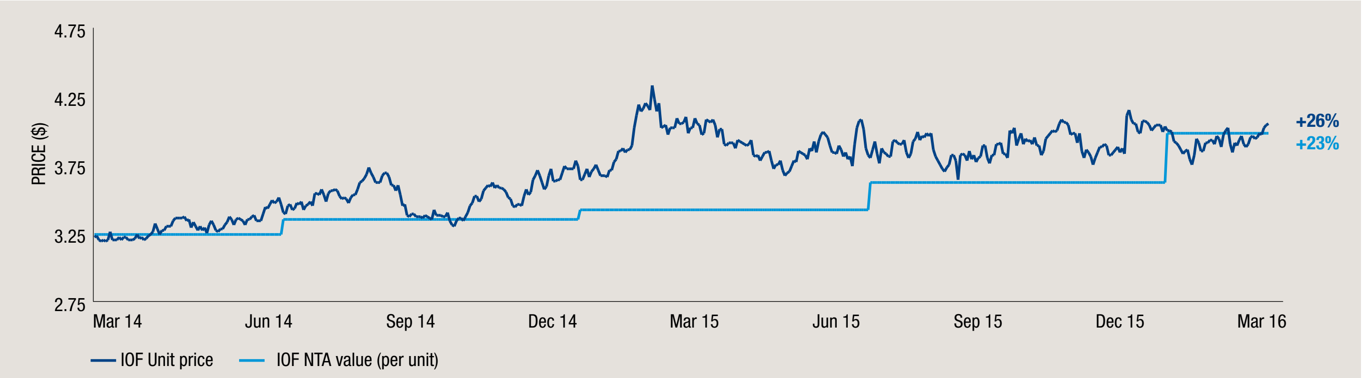
b. The debt maturity profile is based on the AUD exposure on the US Private Placements after applying cross currency swap hedging arrangements.

6.8 Recent performance

a. Unit price performance

Outlined below is IOF's trading price performance from 28 March 2011 being the date Investa Property Group commenced as the manager of IOF, to 3 March 2016.

Figure 6.9: IOF's trading price performance



As at 3 March 2016, being the last practicable trading day before the date of this Explanatory Memorandum:

> the last recorded trading price of IOF Units was $4.05; and

> the lowest and highest close prices of IOF Units during the previous three months was $3.75 and $4.15.

As at 4 December 2015, being the last trading day before the Proposal was announced, the last recorded trading price of IOF Units was $3.83 per IOF Unit.

b. Key events

Some of IOF's key events since 28 March 2011 (being the date Investa Property Group commenced as IOF's manager) are summarised in the table below:

Figure 6.10: IOF's key events

Date	Event
March 2016	> Assistant Fund Manager Appointment
February 2016	> Assistant Fund Manager Resignation > Transfer of management rights of IOF > IOF 1H16 Results Presentation and Announcement > IOF 1H16 Appendix 4D and Half Year Report
January 2016	> Resignation of Jonathan Callaghan from the board of ILFML
December 2015	> Entered into an implementation agreement in relation to the proposal for DEXUS to acquire all the units in IOF
October 2015	> Resignation of Scott MacDonald from the board of ILFML
August 2015	> Commenced a process to undertake a full strategic review
July 2015	> Exchanged contracts for sale of 383 LaTrobe Street, Melbourne
March 2015	> Divestment of Bastion Tower, Brussels completing the process to exit investments in all offshore markets
February 2015	> Announced that Morgan Stanley Real Estate Investing commenced a formal process around its holding in Investa Property Group
October 2014	> Appointment of Ming Long as fund manager of IOF, simultaneously resigning from the board of ILFML
June 2014	> Acquisition of 6 O'Connell Street, Sydney
May 2014	> Divestment of 628 Bourke Street, Melbourne
February 2014	> Acquisition of a 50% interest in Piccadilly Complex, Sydney
January 2014	> Issued US$200 million of US private placement notes
December 2013	> Divestment of interest in the Dutch Office Fund
July 2013	> Acquisition of 99 Walker Street, North Sydney > Appointment of Campbell Hanan as an alternate director for Scott MacDonald
June 2013	> Issued US$125 million of US private placement notes
March 2013	> Acquisition of a 50% interest in the 567 Collins Street, Melbourne development
October 2012	> Issued $125 million of Australian medium term notes
August 2012	> Acquisition of 66 St George's Terrace, Perth
June 2012	> Announced a special distribution
April 2012	> Completed its one-for-four unit consolidation
March 2012	> Acquisition of a 25% interest in 126 Phillip Street, Sydney and 50% interest in 242 Exhibition Street, Melbourne was approved by unitholders
February 2012	> IOF announced the exit from the US market following the divestment of 900 Third Avenue, New York
December 2011	> Announced changes to the constitutions of Armstrong Jones Office Fund and Prime Credit Property Trust were approved by unitholders > Divestment of NVH Building, Paris, Computer Associates Building, Texas and Homer Building, Washington DC > Appointment of Toby Phelps as fund manager of IOF

Date	Event
August 2011	> Initiated an on-market buyback of up to 10% of issued units
July 2011	> Announced the new responsible entity for IOF will be Investa Listed Funds Management Limited > Appointment of Deborah Page, Peter Dodd, Peter Rowe and Ming Long to the board of ILFML
April 2011	> Appointment of Scott MacDonald to the board of ILFML
March 2011	> Announced ING Management Limited had agreed terms to transfer management of IOF to Investa Property Group

6.9 Capital structure

As at the date of this Explanatory Memorandum, IOF has 614,047,458 IOF Units on issue.

6.10 Substantial unitholders

The following persons have notified IOF of the fact that they hold a substantial holding (within the meaning of the Corporations Act) in IOF Units as at 3 March 2016, based on substantial holder notice lodgements with ASX, which are available on the ASX website:

IOF Unitholder	Effective date	Number of IOF Units	Voting interests at time of notice[a]
Mitsubishi UFJ Financial Group Inc.	21 January 2015	72,943,658	11.9%
Morgan Stanley Investment Management Company	21 January 2015	72,351,298	11.8%
State Street Corporation	8 May 2015	24,229,024	5.6%
The Vanguard Group, Inc	31 August 2015	43,421,668	7.1%
CBRE Clarion Securities LLC	23 December 2015	64,321,422	10.5%
Investa Office Management Holdings Pty Ltd	10 October 2014	54,543,259	8.9%

a. Sourced from substantial holding notices lodged with ASX as at 3 March 2016, and rounded to one decimal point.

6.11 Continuous disclosure

IOF is a disclosing entity for the purposes of the Corporations Act and is subject to periodic reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require IOF to notify ASX of information about specified matters and events as they arise for the purpose of ASX making that information available to participants in the market.

Once IOF becomes aware of any information concerning it which a reasonable person would expect to have a material effect on the price or value of an IOF Unit, IOF must (subject to limited exceptions) immediately tell ASX that information.

Publicly disclosed information about all ASX-listed entities, including IOF, is available on ASX's website at www.asx.com.au.

Additionally, copies of documents lodged with ASIC in relation to IOF may be obtained from or inspected at ASIC. Please note ASIC may charge a fee in respect of such services.

The following documents are available for inspection free of charge prior to the Meeting during normal business hours at the registered office of IOF:

- IOF Constitutions;
- IOF's annual report for the financial year ended 30 June 2013;
- IOF's annual report for the financial year ended 30 June 2014;
- IOF's annual report for the financial year ended 30 June 2015;
- IOF's half-year report for the period ended 31 December 2015; and
- IOF's public announcements.

IOF's annual and interim reports and public announcements are also available at www.investa.com.au/IOF.

7

PROFILE OF THE BIDDER

7.1 Overview of the Bidder

The Bidder is:

- in substance, DXFM as responsible entity of DOT – DXFM is also DEXUS RE; and
- DWML as trustee of DOT IOF Sub-Trust – DWML (AFSL 426801), is a DEXUS wholly owned entity that is a trustee of certain third party managed funds. DOT IOF Sub-Trust is wholly owned by DOT and was established solely for the purpose of acquiring one IOF Unit. Other than nominal seed capital and pursuant to the Proposal, it has no other assets or liabilities.

The Bidder is part of ASX-listed DEXUS. The corporate governance arrangements that apply to the Bidder are set out in Section 8.13.

The DXFM directors (being the DEXUS RE Directors) are listed in Section 8.14(a) of this Explanatory Memorandum.

The DWML directors are Craig Mitchell[1], Brett Cameron[2], Alison Harrop[3] and Graham Pearson[4].

7.2 Implementation of the Proposal

On implementation of the Proposal, IOF Unitholders will become entitled to their respective Proposal Consideration and their IOF Units will be transferred to:

- DWML as trustee of DOT IOF Sub-Trust, who will hold one IOF Unit on behalf of DOT IOF Sub-Trust; and
- DXFM (being DEXUS RE) as responsible entity of DOT, who will hold all remaining IOF Units.

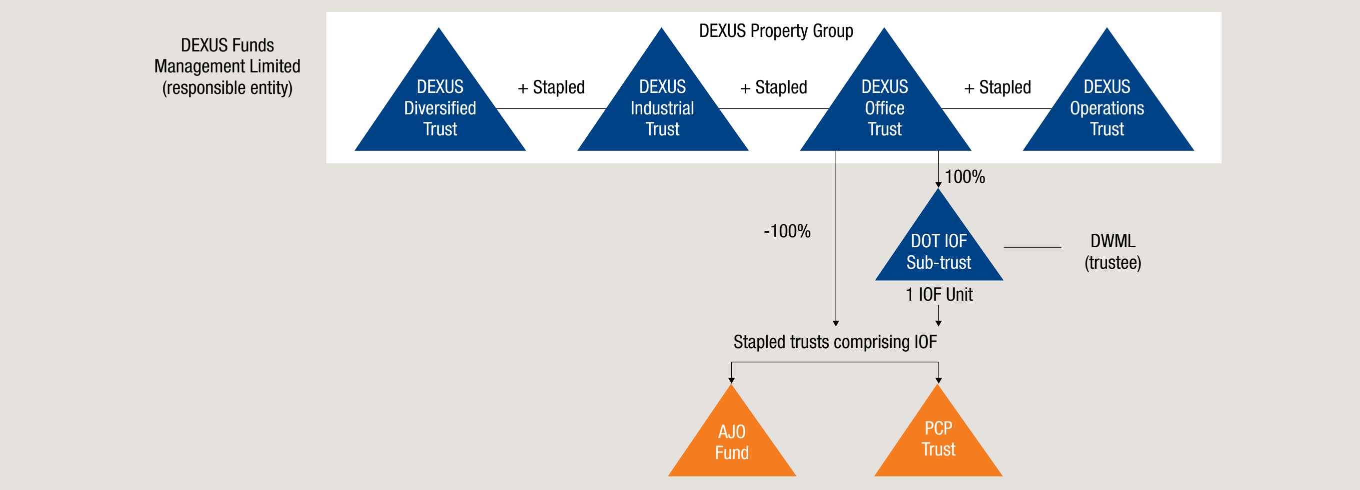
This structure is set out in Section 7.3 of this Explanatory Memorandum and will be in place post-implementation of the Proposal to ensure that AJO Fund and PCP Trust (being the stapled trusts comprising IOF) remain registered managed investment schemes. Following the delisting of IOF, IOF will be an unlisted registered managed investment scheme.

On implementation of the Proposal, DOT will ultimately own 100% of the IOF Units.

See Section 9.2 of this Explanatory Memorandum for details about DEXUS RE's intentions regarding IOF post-implementation of the Proposal.

7.3 Ownership and acquisition structure

The following diagram shows the Bidder's current ownership and proposed acquisition structure:



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1. Appointed on 2 July 2014. See Section 8.14(a) of this Explanatory Memorandum for further information.
2. Appointed on 31 October 2014. See Section 8.14(c) of this Explanatory Memorandum for further information.
3. Appointed on 13 November 2015. See 8.14(c) of this Explanatory Memorandum for further information.
4. Graham Pearson is the Chief Investment Officer – Capital Partners and was appointed a director of DWML on 25 July 2014. Graham is responsible for managing and developing the DEXUS capital partnership and mandate business.

8

PROFILE OF DEXUS

All figures in this Section 8 are as at 31 December 2015, unless stated otherwise.

8.1 Overview of DEXUS

DEXUS is an ASX-listed REIT that invests in, develops, manages and trades Australian office and industrial property. DEXUS also manages Australian office, industrial and retail property on behalf of third party clients which are mainly domestic and international pension funds.

DEXUS's owned portfolio of properties primarily consists of high quality CBD office properties, held long term and leased to derive stable and secure ongoing income streams. In addition, DEXUS generates fees from undertaking investment management, property management, leasing and development management on behalf of third party clients.

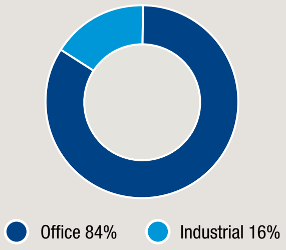
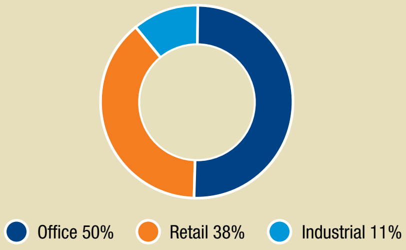
The DEXUS owned and managed property portfolio as at 31 December 2015 totalled $21.1 billion, comprising:

> $10.5 billion of owned property, including $8.8 billion of office property, with an additional $1.1 billion development pipeline, and

> $10.6 billion of property managed on behalf of Third Party clients, with an additional $2.1 billion development pipeline.

At 31 December 2015 DEXUS owned and managed a total of $14.1 billion of office properties.

Figure 8.1: Overview of DEXUS portfolio

DEXUS portfolio	Third party funds portfolio	Total group portfolio
$10.5bn	**$10.6bn**	**$21.1bn**
DEXUS owned and managed portfolio of Australian office and industrial properties	Management of a diverse portfolio of office, industrial and retail properties on behalf of third party partners and funds	
		OFFICE: **$14.1bn** INDUSTRIAL: **$2.9bn** RETAIL: **$4.1bn**
DEVELOPMENT PIPELINE (future growth)		
DEVELOPMENT: **$1.1bn**	DEVELOPMENT: **$2.1bn**	DEVELOPMENT: **$3.2bn**

As at 3 March 2016, DEXUS had a market capitalisation of $7.6 billion and was included in the S&P/ASX 50 index. DEXUS is listed under the stock market trading code “DXS” and is supported by more than 32,000 securityholders from 20 countries.

DEXUS is headquartered in Sydney and employs more than 360 property professionals in offices in Sydney, Melbourne, Brisbane and Perth. The team manages approximately 1.8 million square metres of office space, 1.8 million square metres of industrial space and 0.8 million square metres of retail space. DEXUS is one of the largest office managers in Australia.

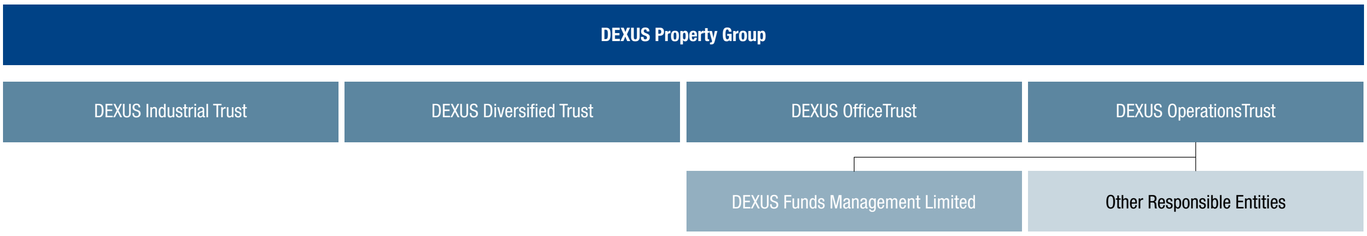
The DEXUS structure is outlined in Section 8.2 of this Explanatory Memorandum. For additional information on DEXUS, visit www.dexus.com.

8.2 DEXUS structure

In October 2004, the units of the four head trusts that comprise DEXUS (trading under their former names) were stapled together to form DEXUS (the **Stapling Transaction**). Each head trust’s units are stapled and are quoted and trade as a single security on ASX, being the DEXUS Securities. The effect of the Stapling Transaction is that DEXUS functions as a single economic group, where the head trusts have a common senior management team and public investor base, and prepare consolidated financial statements on a group basis.

The four head trusts are DIT, DDF, DOT and DXO. The responsible entity of the four head trusts is DXFM (being DEXUS RE).

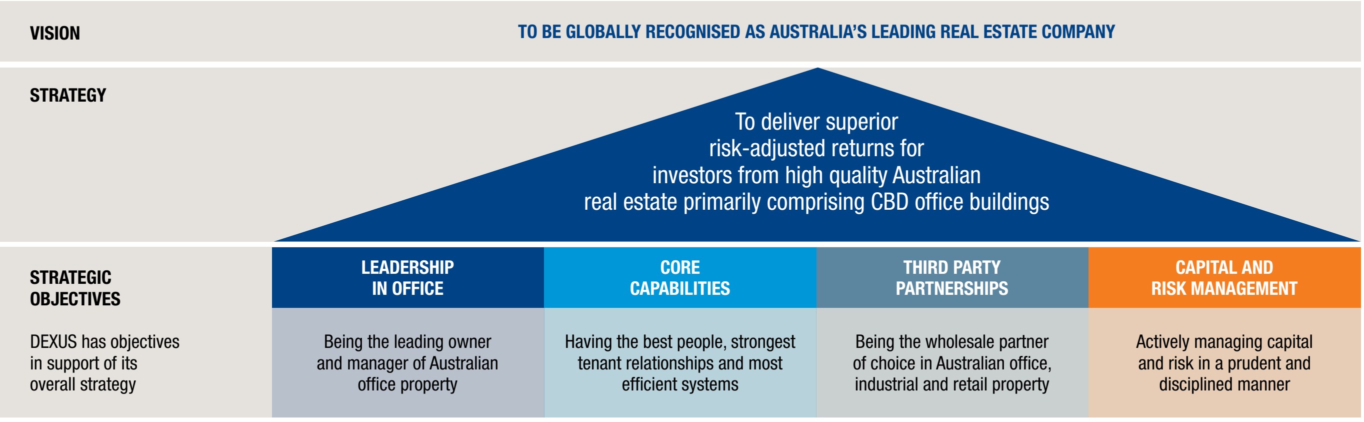
Figure 8.2: DEXUS structure



8.3 Strategy

DEXUS’s vision is to be globally recognised as Australia’s leading real estate group. DEXUS aims to achieve this by delivering superior risk-adjusted returns for investors from Australian real estate by investing primarily in CBD office properties.

Figure 8.3: DEXUS’s strategy



DEXUS has four key objectives that support its strategy:

Leadership in office	Investing in and developing properties and spaces that DEXUS customers (tenants) want to occupy with a focus on high quality properties in prime locations.
Core capabilities	Constantly improving the levels of service and amenity provided to customers (tenants) to increase the market appeal of DEXUS's properties and to assist in building meaningful relationships to attract and retain customers.
Third party partnerships	Partnering with third parties to increase access to properties and grow in core markets and attract expertise.
Capital and risk management	Maintaining a conservative approach to financial and operational risk, further details of which are set out in Section 8.6 of this Explanatory Memorandum.

In addition, DEXUS considers corporate responsibility and sustainability an integral part of its daily business operations. DEXUS is committed to understanding, monitoring and managing social, environmental and economic impacts from its operations. DEXUS delivers these responsibilities through measurable actions and within corporate policies. DEXUS's sustainability approach supports its strategy through its overarching goal of delivering sustained value.

As part of its strategy, DEXUS draws on the capabilities of its people to achieve its long and short term targets. DEXUS has identified three long term measures for success:

> FFO growth of 3-5% per annum through the cycle;[1]

> Return on Equity of 9%-10% per annum through the cycle; and

> Top quartile DEXUS Securityholder return relative to S&P/ASX 200 Australian REIT Index.

8.4 Business overview

DEXUS has three key business divisions: property portfolio, funds management and property services, and trading.

a. Property portfolio

DEXUS's property portfolio comprises investments in Australian office and industrial properties. The total value of DEXUS's investment property portfolio at 31 December 2015 was $10.5 billion, representing 49 office and 54 industrial properties.

Figure 8.4: DEXUS key portfolio metrics

Total DEXUS Portfolio as at 31 December 2015	Office	Industrial	Total
Total value	$8.8 billion	$1.7 billion	$10.5 billion
Total number of properties	49	54	103
Total NLA (sqm)[a]	0.9 million	1.0 million	1.9 million

a. NLA presented on an ownership adjusted basis.

Office portfolio

DEXUS is one of the largest office investment managers in Australia. The portfolio consists primarily of properties held long term and leased to derive stable and secure income streams through property cycles. Active asset management and developments are undertaken to enhance the quality and value of the portfolio.

At 31 December 2015 the DEXUS owned ownership adjusted office portfolio was valued at $8.8 billion, comprising 49 office properties across an NLA of 0.9 million square metres. The properties are primarily located in the Sydney, Melbourne, and Brisbane CBD markets and are of a high quality, with 91% graded as Prime (Premium or A-grade).

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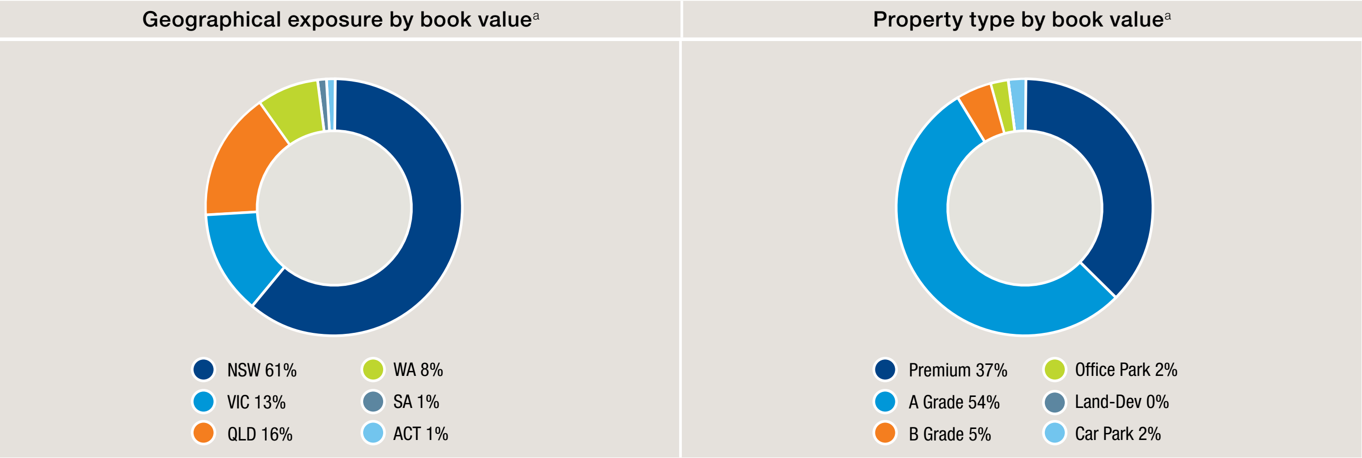
[1] DEXUS also utilises AFFO in assessing remuneration for key executives and staff. Please refer to the Directors Report within the DEXUS FY15 Annual Report dated 31 August 2015 for additional information.

Figure 8.5: DEXUS office portfolio diversification


Geographical exposure by book value[a]

Property type by book value[a]

a. Based on DEXUS property portfolio as at 31 December 2015

A summary of DEXUS office portfolio metrics is included below:

Figure 8.6: DEXUS office key portfolio metrics

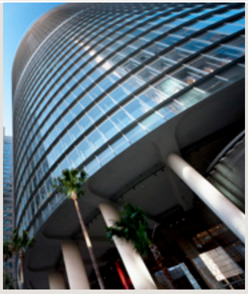
Office portfolio	As at 31 Dec 15
Occupancy by area	94.3%
Occupancy by income	94.1%
WALE (by income)	4.4 years
Average retention rate rolling 12 months	56%
Like-for-like net property income (effective)	(0.3)%
Weighted average capitalisation rate	6.30%
Total return – 1 year	14.8%

The DEXUS office portfolio includes some of Australia's most iconic buildings, including 1 Bligh Street, Grosvenor Place, Governor Phillip and Macquarie Tower Complex (1 Farrer Place) and Waterfront Place, as well as other Premium and A-grade properties.

Figure 8.7: Snapshot of select DEXUS office properties (as at 31 December 2015)

Premium-grade properties

1 Bligh Street, Sydney



Ownership
33%

Lettable area
42,525sqm

Book value
$293.3m

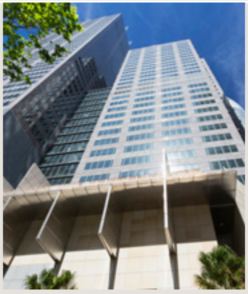
Grosvenor Place, Sydney

Ownership
37.5%

Lettable area
84,578sqm

Book value
$516.8m

Governor Phillip & Macquarie Tower Complex, 1 Farrer Place, Sydney



Ownership
50%

Lettable area
85,653sqm

Book value
$833.0m

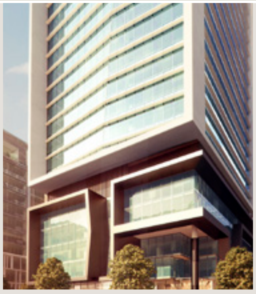
123 Albert Street, Brisbane

Ownership
100%

Lettable area
39,301sqm

Book value
$430.0m

Kings Square, Wellington Street, Perth



Ownership
50%

Lettable area
52,688sqm

Book value
$226.4m

Waterfront Place, Brisbane

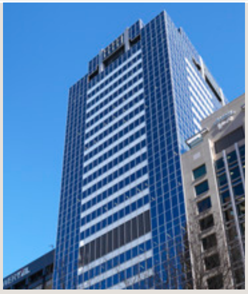
Ownership
50%

Lettable area
67,500sqm

Book value
$348.5m

A-grade properties

45 Clarence Street, Sydney

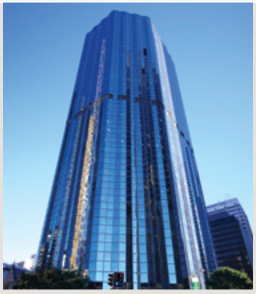


Ownership
100%

Lettable area
31,959sqm

Book value
$328.0m

12 Creek Street, Brisbane



Ownership
50%

Lettable area
32,061sqm

Book value
$138.8m

Southgate Complex, 3 Southgate Avenue, Melbourne

Ownership
100%

Lettable area
76,574sqm

Book value
$482.2m

Australia Square Complex, 264-278 George Street, Sydney

Ownership
50%

Lettable area
52,987sqm

Book value
$376.0m

40 Market Street, Sydney

Ownership
100%

Lettable area
30,089sqm

Book value
$285.0m

30 The Bond, 30-34 Hickson Road, Sydney

Ownership
100%

Lettable area
19,664sqm

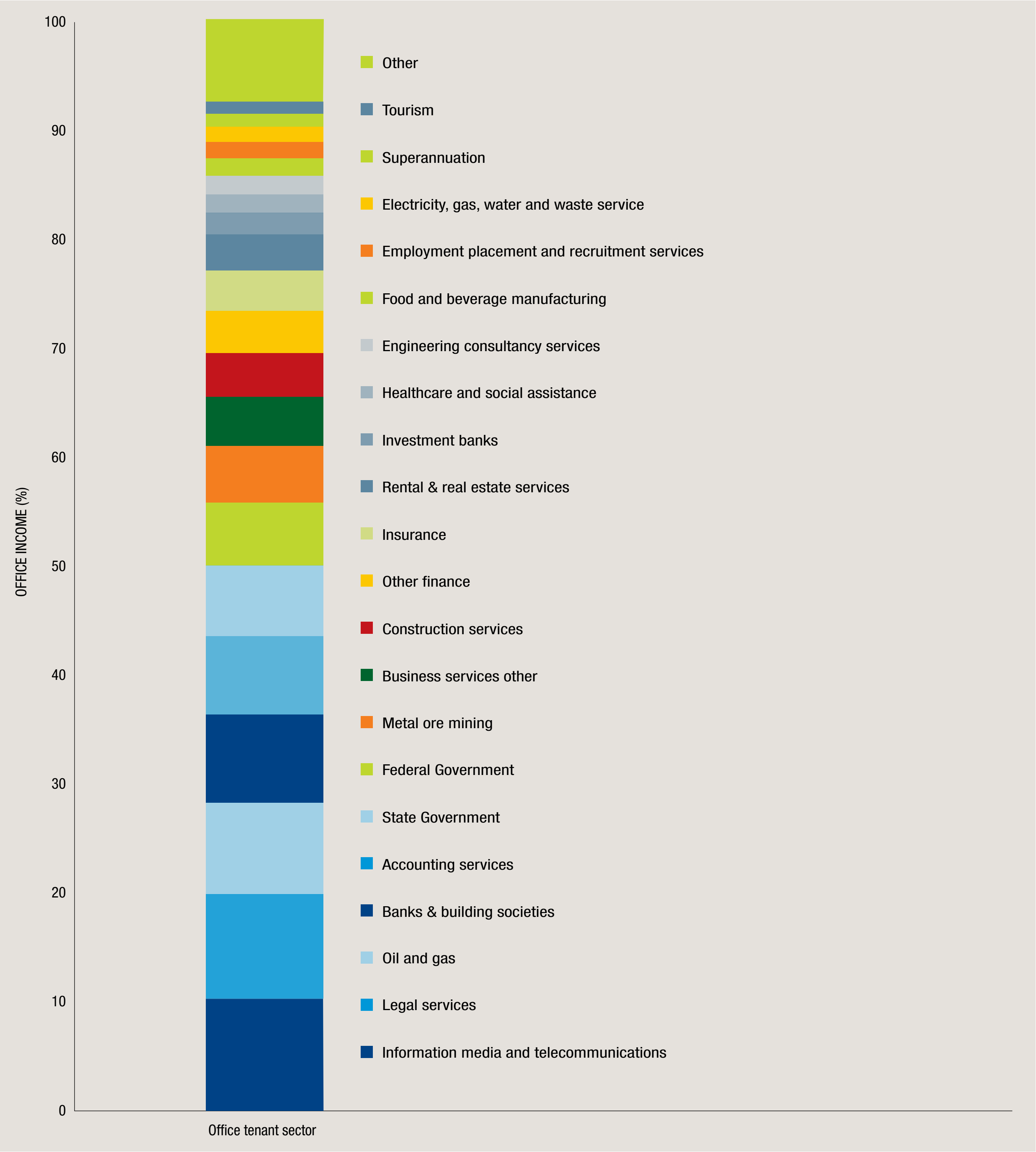
Book value
$198.6m

Office portfolio tenants and leasing

Tenant diversification is a feature of DEXUS's office portfolio, with no single industry comprising more than 11% of office portfolio income.

Figure 8.8: DEXUS diversity of office tenants by income

By sector



The top ten tenants within the DEXUS office portfolio comprise large corporate entities and government bodies. These represent approximately 24.5% (by income) of the DEXUS portfolio as at 31 December 2015.

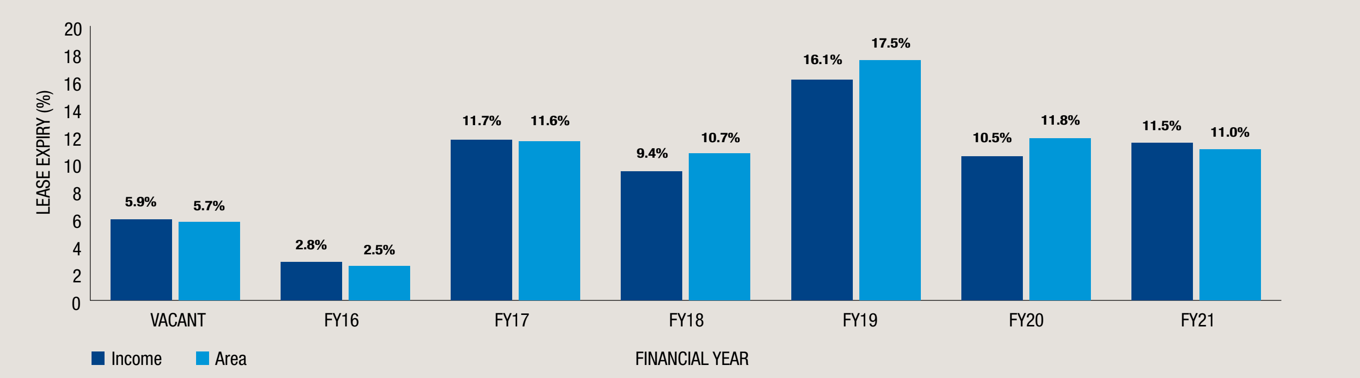
Figure 8.9: DEXUS office tenancy composition by income

Tenant	% of HY16 income[a]
Woodside Energy	4.0%
Commonwealth of Australia	3.9%
Wilson Parking Australia	3.4%
Rio Tinto	2.8%
Commonwealth Bank of Australia	2.6%
State of NSW	2.0%
Deloitte Services Pty Ltd	1.7%
Lend Lease Management Services	1.5%
State of Victoria	1.3%
The Herald & Weekly Times	1.2%
Total	**24.5%**

a. Income represents 31 December 2015 fully leased DEXUS portfolio passing income.

Leasing is a key operational capability of DEXUS. The DEXUS office portfolio has a WALE (by income) of 4.4 years, and lease expiries are spread over a number of years. Only 2.8% of office portfolio income expires in 2HY16 and 11.7% in FY17.

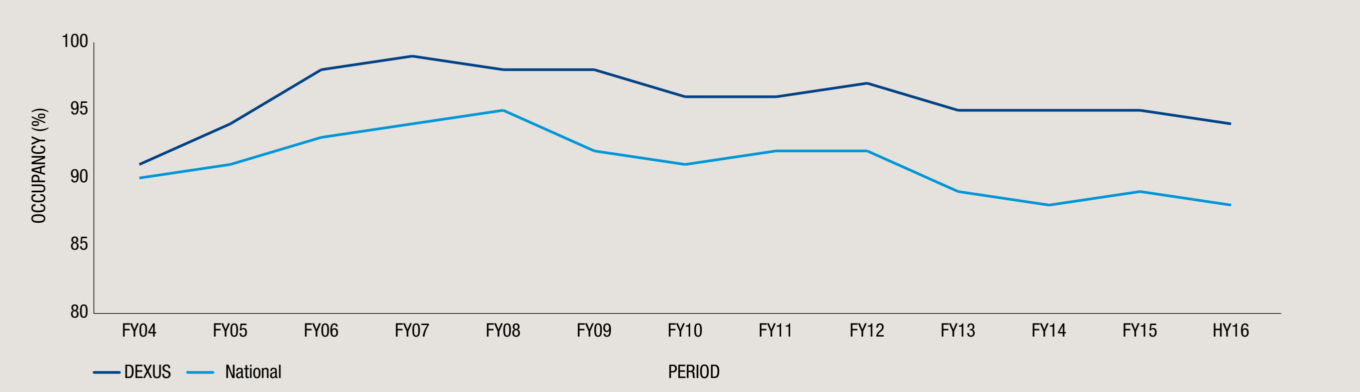
Figure 8.10: DEXUS office portfolio lease expiry profile at 31 December 2015



Active office portfolio management

DEXUS utilises its active property management expertise and strong tenant relationships to secure new and existing tenants across its office portfolio, improving property fundamentals and total returns. DEXUS has maintained office occupancy rates well above the national average since establishment in 2004.

Figure 8.11: Historical office occupancy rates[a]



a. This figure represents occupancy by income. National represents markets in which DEXUS manages office buildings.
Source: JLL research and DEXUS research.

Case studies demonstrating DEXUS's leasing, asset management and transaction expertise are outlined below.

Figure 8.12: DEXUS case studies

DEXUS Office Partnership

DEXUS approach:

> Successfully acquired Commonwealth Property Office Fund ("CPA") with JV partner Canada Pension Plan Investment Board in April 2014 for $3.4 billion

> Established the DEXUS Office Partnership comprising 21 properties

> Actively managed the portfolio

Outcomes:

> Achieved $273.5 million[a] valuation uplift across DEXUS Office Partnership properties for valuations undertaken at 30 June 2015 and 31 December 2015

> Achieved a 16.0%[b] annualised unlevered total return since inception in April 2014

DEXUS Place

Enhancing the customer experience:

> Undertook extensive market research which revealed that 70% of DEXUS customers experience a shortage of meeting and training rooms

> Launched DEXUS Place at One Margaret Street, Sydney in May 2015

> Collaborated with experts in workspace design and technology to design a purpose-built facility providing:
  – premium meeting, training and conference facilities
  – an auditorium which connects businesses with their whole company
  – a 21 seat RealPresence Immersive Studio provided by Polycom

> Plans underway to roll out a suite of facilities in prime CBD locations around Australia, with a second DEXUS Place launched at 385 Bourke Street, Melbourne in late 2015 and a third DEXUS Place to be launched at Waterfront Place, Brisbane

a. Valuation increase at 30 June 2015 represents 100% interest, of which DEXUS has a 50% share.
b. Unlevered total return based on acquisition price.

Office portfolio sustainability

DEXUS continues to focus on operational performance to improve energy efficiency.

DEXUS achieved an average 4.7 star NABERS energy rating across the DEXUS owned and managed office portfolio as at 31 December 2015. DEXUS's owned and managed office portfolio includes:

- 13 properties with a 5.5 star NABERS energy rating representing 26% of total rated area; and
- a further 20 properties achieved 5.0 star NABERS energy ratings.

DEXUS now has 33 properties representing 62% of rated area that have achieved a NABERS energy rating of 5.0 stars or higher.

DEXUS office portfolio listing

Figure 8.13: Office portfolio

Name/Address	Location	State	Interest	Building type	NLA[a] (000s sqm)	Book value ($m)	Cap rate (%)	WALE by income (years)	Occupancy (by area)
Finlay Crisp Centre	Canberra	ACT	50.0%	B grade office	28.6	39.9	9.25%	2.0	100%
Garema Court, 140-180 City Walk	Canberra	ACT	100.0%	A grade office	11.4	57.7	7.25%	7.9	100%
The Zenith, 821 Pacific Highway	Chatswood	NSW	50.0%	A grade office	44.3	130.3	8.00%	2.4	93%
11 Talavera Road	Macquarie Park	NSW	100.0%	Office Park	35.8	172.0	7.50%	3.5	98%
Victoria Cross, 60 Miller Street	North Sydney	NSW	100.0%	A grade office	19.4	163.9	7.00%	2.9	96%
201 Miller Street	North Sydney	NSW	50.0%	A grade office	14.9	50.0	7.25%	2.1	90%
101 George Street	Parramatta	NSW	50.0%	A grade office	18.1	52.3	7.25%	3.0	100%
105 Phillip Street	Parramatta	NSW	100.0%	Land	n/a	n/a	n/a	n/a	n/a
130 George Street	Parramatta	NSW	100.0%	B grade office	19.8	99.0	7.00%	6.3	78%
150 George Street	Parramatta	NSW	50.0%	A grade office	22.0	53.7	8.25%	2.9	100%
2 & 4 Dawn Fraser Avenue	Sydney Olympic Park	NSW	75.0%	A grade office	34.2	116.6	7.50%	4.0	100%
Australia Square Complex, 264-278 George Street	Sydney	NSW	50.0%	A grade office	53.0	376.0	5.72%	4.3	99%
Governor Phillip & Macquarie Tower Complex, 1 Farrer Place	Sydney	NSW	50.0%	Premium grade office	85.7	833.0	5.29%	5.5	78%
Grosvenor Place, 225 George Street	Sydney	NSW	37.5%	Premium grade office	84.6	516.8	5.50%	4.9	84%
One Margaret Street	Sydney	NSW	100.0%	A grade office	20.9	239.0	6.00%	4.9	100%
1 Bligh Street	Sydney	NSW	33.0%	Premium grade office	42.5	293.3	5.25%	6.5	99%

Name/Address	Location	State	Interest	Building type	NLA[a] (000s sqm)	Book value ($m)	Cap rate (%)	WALE by income (years)	Occupancy (by area)
5 Martin Place	Sydney	NSW	25.0%	Premium grade office	33.5	139.0	5.12%	9.5	95%
14-18 Lee Street	Sydney	NSW	50.0%	A grade office	14.5	43.6	7.50%	4.5	100%
30 The Bond, 30-34 Hickson Road	Sydney	NSW	100.0%	A grade office	19.7	198.6	6.85%	2.9	100%
39 Martin Place	Sydney	NSW	50.0%	B grade office	16.2	111.0	5.88%	3.5	99%
44 Market Street	Sydney	NSW	100.0%	A grade office	30.1	285.0	6.38%	3.9	98%
45 Clarence Street	Sydney	NSW	100.0%	A grade office	32.0	328.0	6.12%	3.8	99%
56 Pitt Street	Sydney	NSW	50.0%	B grade office	20.1	111.0	6.12%	2.3	96%
60 Castlereagh Street	Sydney	NSW	50.0%	A grade office	27.0	167.0	5.87%	5.7	98%
175 Pitt Street	Sydney	NSW	50.0%	A grade office	25.8	166.0	6.03%	4.1	100%
201-217 Elizabeth Street	Sydney	NSW	50.0%	A grade office	38.1	184.0	6.00%	3.7	97%
309-321 Kent Street	Sydney	NSW	50.0%	A grade office	46.7	233.3	6.33%	2.9	92%
383-395 Kent Street	Sydney	NSW	100.0%	A grade office	18.0	179.0	6.12%	5.5	100%
10 Eagle Street	Brisbane	QLD	50.0%	A grade office	27.6	108.5	6.75%	4.7	91%
12 Creek Street	Brisbane	QLD	50.0%	A grade office	32.1	138.8	6.50%	4.5	93%
123 Albert Street	Brisbane	QLD	100.0%	Premium grade office	39.3	430.0	6.50%	5.1	100%
145 Ann Street	Brisbane	QLD	50.0%	A grade office	28.1	133.8	6.50%	6.5	100%
480 Queen Street	Brisbane	QLD	50.0%	Premium grade office	56.2	235.6	6.50%	n/a	n/a
Waterfront Place Complex, 1 Eagle Street & Naldham House	Brisbane	QLD	50%	Premium grade office	67.5	348.5	6.44%	4.9	96%
11 Waymouth Street	Adelaide	SA	50.0%	Premium grade office	31.0	82.8	7.50%	2.3	95%
108 North Terrace	Adelaide	SA	50.0%	A grade office	20.1	43.1	8.25%	3.2	71%
8 Nicholson Street	Melbourne	VIC	100.0%	A grade office	23.5	112.4	7.63%	2.9	100%

Name/Address	Location	State	Interest	Building type	NLA[a] (000s sqm)	Book value ($m)	Cap rate (%)	WALE by income (years)	Occupancy (by area)
180-222 Lonsdale Street	Melbourne	VIC	25.0%	A grade office	105.9	195.8	6.55%	4.5	100%
385 Bourke Street	Melbourne	VIC	50.0%	A grade office	60.1	225.0	6.25%	3.8	78%
Flinders Gate Complex, 172 Flinders Street & 189 Flinders Lane	Melbourne	VIC	100.0%	B grade office	9.0	35.8	7.75%	1.2	86%
Southgate Complex, 3 Southgate Avenue	Melbourne	VIC	100.0%	A grade office	76.6	482.2	6.41%	4.3	87%
46 Colin Street	Perth	WA	50.0%	A grade office	8.8	15.5	8.50%	1.8	100%
58 Mounts Bay Road	Perth	WA	25.0%	A grade office	22.4	57.8	7.00%	5.6	100%
240 St Georges Terrace	Perth	WA	100.0%	Premium grade office	47.3	400.0	7.00%	2.8	99%
Kings Square, Wellington Street	Perth	WA	50.0%	A grade office	52.7	226.4	7.01%	5.6	100%
383-395 Kent Street	Sydney	NSW	100.0%	Carpark	n/a	78.5	6.75%	3.1	100%
32-44 Flinders Street	Melbourne	VIC	100.0%	Carpark	n/a	n/a	n/a	n/a	n/a
34-60 Little Collins Street	Melbourne	VIC	100.0%	Carpark	n/a	24.6	9.50%	2.9	100%
Flinders Gate Complex, 172 Flinders Street	Melbourne	VIC	100.0%	Carpark	n/a	53.5	6.75%	2.9	100%

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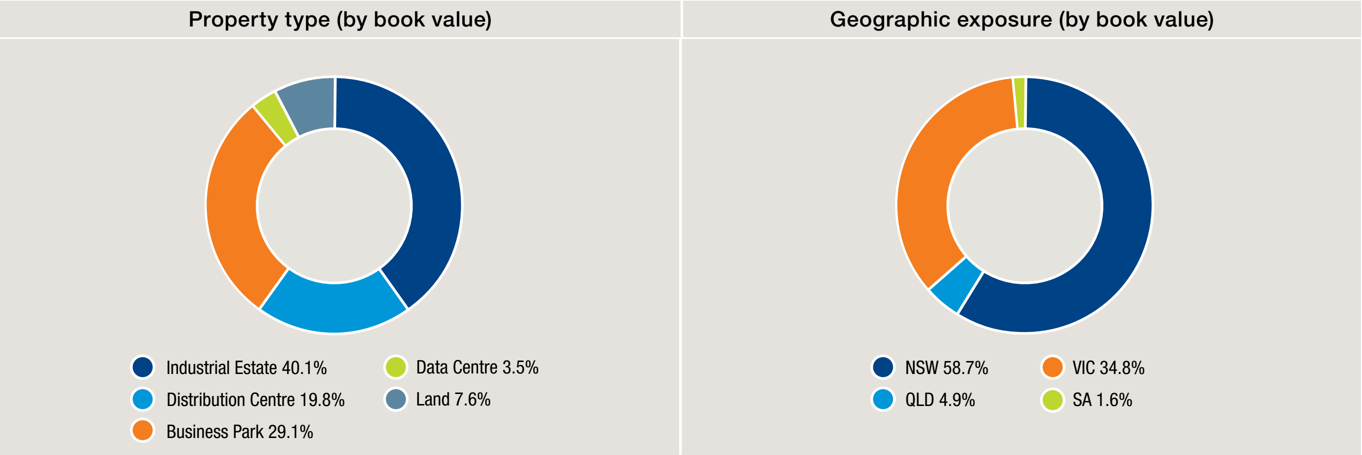
a. NLA is on a 100% basis.

Industrial portfolio

DEXUS's industrial portfolio comprises 54 industrial properties with an ownership adjusted lettable area of 1.0 million square metres and was valued at $1.7 billion at 31 December 2015.

Figure 8.14: DEXUS industrial portfolio diversification



Key industrial portfolio metrics are outlined in Figure 8.15 below.

Figure 8.15: DEXUS industrial portfolio key metrics

Industrial portfolio	As at 31 Dec 2015
Occupancy by area	92.2%
Occupancy by income	93.4%
WALE (by income)	4.6 years
Retention rate rolling 12 months	32%
Like-for-like net property income growth (effective)	(6.8)%
Weighted average capitalisation rate	7.56%
Total return – 1 year	16.7%

DEXUS industrial portfolio listing

The DEXUS industrial portfolio listing is outlined below.

Figure 8.16: DEXUS Industrial portfolio

Name/Address	Location	State	Interest	Building type	NLA[c] (000s sqm)	Book value ($m)	Cap rate (%)	WALE by income (years)	Occupancy (by area)
52 Holbeche Road	Sydney, Outer West	NSW	100.0%	Distribution Centre	9.6	14.7	7.25%	4.8	100%
79-99 St Hilliers Road	Sydney, Inner West	NSW	100.0%	Business Park	26.0	n/a	n/a	n/a	n/a
3 Brookhollow Avenue	Sydney, Outer West	NSW	100.0%	Data Centre	13.4	57.5	8.00%	2.8	100%
1 Garigal Road	Sydney, North	NSW	100.0%	Business Park	12.3	23.1	8.50%	6.6	86%
Lakes Business Park (Northern Site), 2-13 Lord Street	Sydney, South	NSW	100.0%	Business Park	29.3	110.0	6.75%	3.2	93%
Lakes Business Park (Southern Site), 2-13 Lord Street	Sydney, South	NSW	100.0%	Business Park	14.2	n/a	n/a	n/a	n/a
2 Alspec Place	Sydney, Outer West	NSW	100.0%	Distribution Centre	16.9	27.2	7.25%	4.8	100%
57-65 Templar Road	Sydney, Outer West	NSW	100.0%	Industrial Estate	30.1	n/a	n/a	n/a	n/a
145-151 Arthur Street	Sydney, Inner West	NSW	100.0%	Business Park	19.2	29.3	8.00%	3.0	75%
436-484 Victoria Road	Sydney, North	NSW	100.0%	Business Park	19.0	43.9	8.00%	1.5	57%
1 Foundation Place	Sydney, Outer West	NSW	100.0%	Industrial Estate	30.8	51.0	7.50%	3.0	88%
Quarry Industrial Estate, Greystanes[a]	Sydney, Outer West	NSW	50.0%	Industrial Estate	170.9	179.4	n/a	n/a	100%
Quarrywest, Reconciliation Road	Sydney, Outer West	NSW	50.0%	Land	n/a	38.5	n/a	n/a	n/a
27-29 Liberty Road	Sydney, Outer West	NSW	100.0%	Distribution Centre	6.7	8.1	8.00%	1.1	100%
Kings Park Industrial Estate, Vardys Road	Sydney, Outer West	NSW	100.0%	Industrial Estate	68.9	94.0	7.75%	1.6	91%
2-4 Military Road	Sydney, South	NSW	100.0%	Industrial Estate	30.2	62.9	7.25%	7.7	100%
Centrewest Industrial Estate	Sydney, Inner West	NSW	100.0%	Industrial Estate	14.2	18.8	8.75%	2.2	75%
DEXUS Industrial Estate, Egerton Street	Sydney, Inner West	NSW	100.0%	Industrial Estate	17.3	28.3	8.30%	1.9	100%
12 Frederick Street	Sydney, North	NSW	100.0%	Industrial Estate	19.4	n/a	n/a	n/a	n/a

Name/Address	Location	State	Interest	Building type	NLA[c] (000s sqm)	Book value ($m)	Cap rate (%)	WALE by income (years)	Occupancy (by area)
50 & 70 Radius Drive	Brisbane, South	QLD	50.0%	Land	n/a	11.0	n/a	n/a	n/a
141 Anton Road	Brisbane	QLD	50.0%	Land	n/a	13.5	n/a	n/a	n/a
30 Bellrick Street	Brisbane	QLD	100.0%	Distribution Centre	17.8	20.2	8.25%	1.8	100%
131 Mica Street	Brisbane	QLD	100.0%	Distribution Centre	13.3	25.0	6.75%	12.0	100%
112 Cullen Avenue	Brisbane	QLD	50.0%	Industrial Estate	12.0	10.6	7.85%	5.1	100%
15-23 Whicker Road	Adelaide	SA	100.0%	Distribution Centre	74.0	25.9	11.00%	2.2	76%
Target Distribution Centre, 30-68 Taris Avenue	Melbourne, West	VIC	50.0%	Distribution Centre	41.4	15.0	8.00%	1.3	100%
114 Fairbank Road	Melbourne, South East	VIC	100.0%	Distribution Centre	18.6	15.9	8.50%	3.8	100%
DEXUS Industrial Estate, Pound Road West	Melbourne, South East	VIC	100.0%	Industrial Estate	79.5	80.7	7.40%	9.5	100%
Knoxfield Industrial Estate, Henderson Road	Melbourne, South East	VIC	100.0%	Distribution Centre	52.0	44.3	7.75%	4.5	57%
250 Forest Road South	Melbourne, South East	VIC	100.0%	Distribution Centre	117.3	57.5	8.75%	7.5	100%
DEXUS Industrial Estate, Laverton[b]	Melbourne, West	VIC	n/a	n/a	180.6	134.6	n/a	n/a	100%
Axxess Corporate Park, Corner Ferntree Gully & Gilby Roads	Melbourne, South East	VIC	100.0%	Business Park	77.5	192.8	7.46%	1.8	93%

a. Represents industrial estates comprising multiple individual industrial assets

b. Represents industrial estates comprising multiple individual industrial assets

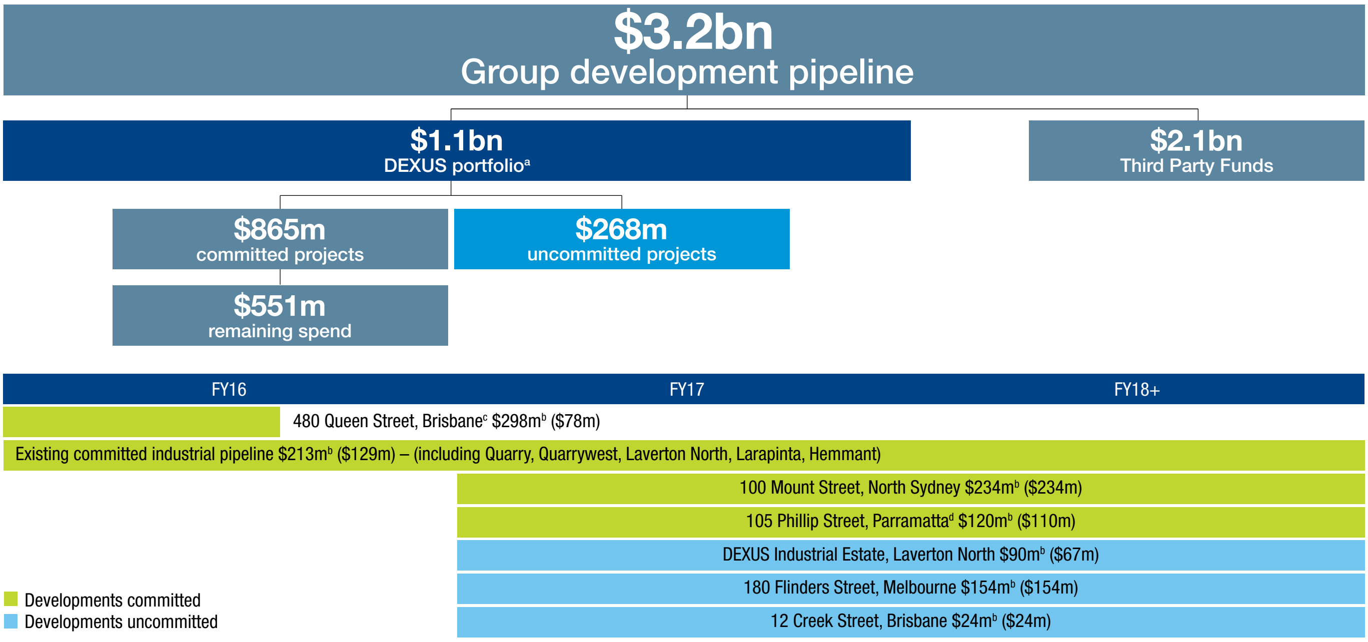
c. NLA is on a 100% basis.

Development

DEXUS utilises its development expertise and leverages its portfolio scale to develop new office buildings and industrial facilities. Development provides DEXUS with access to new stock and leads to improved portfolio quality and diversification.

As at 31 December 2015, the DEXUS development pipeline totalled $3.2 billion, comprising $1.1 billion within the DEXUS owned portfolio and an additional $2.1 billion across the Third Party Funds Management platform. The Third Party development pipeline is discussed further in Section 8.4(b) of this Explanatory Memorandum. The diagram below outlines DEXUS's current committed and uncommitted development pipeline.

Figure 8.17: DEXUS development pipeline overview



a. Developmnet pipeline shows total estimated project cost and (est. cost to complete).

b. DEXUS interest in development cost.

c. Practical completion expected in February 2016.

d. Also included in DEXUS trading pipeline.

DEXUS has a strong track record in office development, developing landmark premium office towers including 1 Bligh Street, Sydney, 480 Queen Street, Brisbane and 5 Martin Place, Sydney as outlined in the case studies in Figure 8.18 below.

Figure 8.18: Development case studies

1 Bligh Street, Sydney

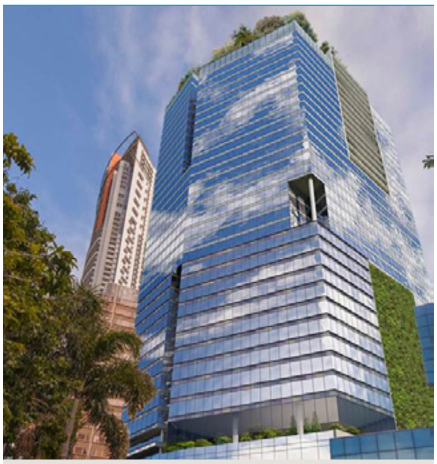
DEXUS Approach:

- > Completed in July 2011
- > 55% pre-committed by Clayton Utz
- > 90% leased within 12 months of completion in June 2011 (currently 99.6% occupied)
- > Yield on cost of 7.0%
- > Introduced Cbus as 33% capital partner

Outcomes:

- > Awarded 17 local and international awards
- > Achieved valuation uplift[d] of $28.1m at 31 December 2015
- > Capitalisation rate of 6.5% on completion, tightening to 5.25% at 31 December 2015

480 Queen Street , Brisbane



DEXUS Approach:

- > Acquired in April 2013 as a fund-through development[a] on attractive pricing metrics
- > Accessed quality product in a market with limited new premium offerings in the medium term
- > Building a high calibre tenancy profile that will underpin the long term investment value
- > Satisfying the demand of key corporations looking to reposition their business through workplace solutions

Outcomes:

- > 100% of office space committed[b]
- > Achieved valuation uplift[d] of $22.4m or 10.5% at 31 December 2015
- > Forecast unlevered Project IRR[c] of 17%

5 Martin Place, Sydney

DEXUS Approach:

- > Acquired in April 2014 as a part of the CPA transaction
- > Alongside co-owner Cbus Property:
  - – negotiated an accelerated build program
  - – de-risked the leasing ahead of schedule
  - – achieved rents above original assumptions at the time of acquisition

Outcomes:

- > Completed development with a forecast unlevered project IRR of 39%
- > Increased pre-committed office space from 42% at acquisition to 96% at 31 December 2015[b]
- > Achieved valuation uplift[d] of $29.6m or 27.0% at 31 December 2015 (DEXUS 25% interest)

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a. Grocon provided DEXUS and DWPF (50 / 50 ownership) with a two-year income guarantee on any remaining vacancies at practical completion. A 'fund-through development' is an arrangement involving the purchaser acquiring the land and funding construction costs on a progressive basis.

b. This figure includes Heads of Agreement entered into with prospective tenants.

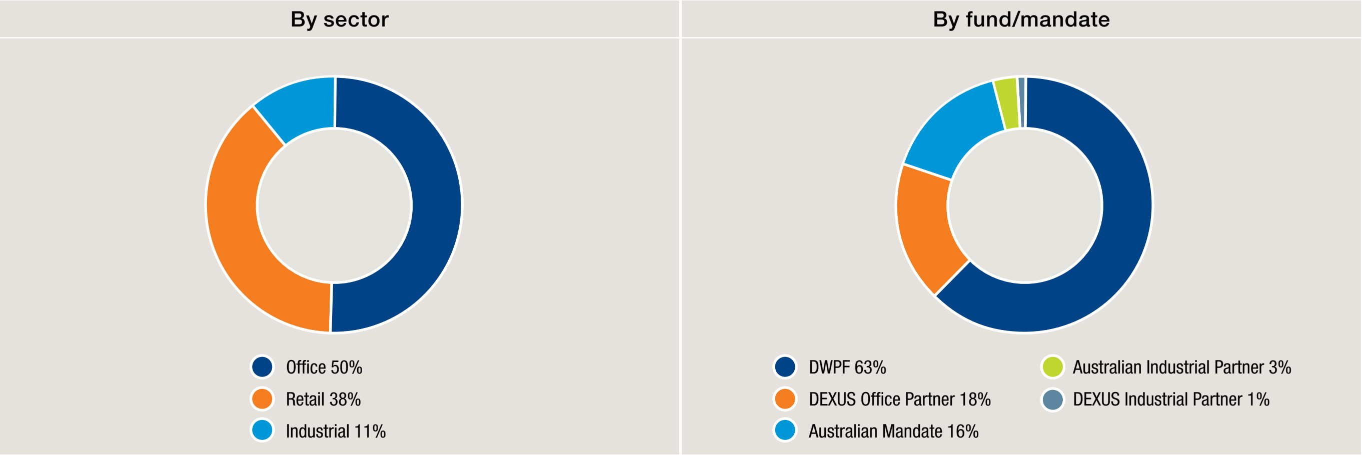
c. 480 Queen Street unlevered IRR assumes 'as complete' blended cap rate of 6.375%.

d. Represents DEXUS's share.

b. Third Party Funds Management and property services

DEXUS manages $10.6 billion of property across the office, industrial and retail sectors on-behalf of a range of third party clients.

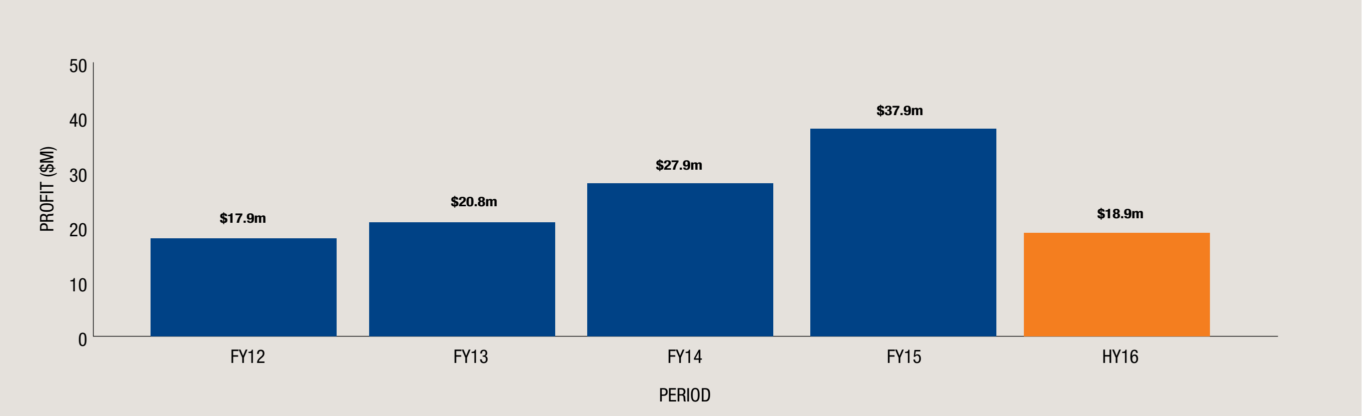
Figure 8.19: DEXUS Third Party Funds Management platform diversification by value



The Third Party Funds Management platform manages office, industrial and retail investments on behalf of third party capital providers and funds. These activities result in DEXUS earning fees for its funds management, property management, leasing and development management services.

DEXUS has an established track record of attracting and managing third party capital, and has grown third party FUM by approximately 86% since June 2012. Over this time DEXUS's profit from management operations associated with Third Party Funds Management and property services has increased from $17.9 million in FY12 to $37.9 million in FY15.

Figure 8.20: DEXUS profit from management operations



DEXUS believes that the $2.1 billion Third Party Funds Management development pipeline will support continued growth.

DEXUS third party funds and mandates

The Third Party Funds Management platform manages investments for DWPF, DEXUS Office Partnership, Australian Industrial Partnership, DEXUS Industrial Partnership and an Australian property mandate. An overview of each of these vehicles is provided below:

DWPF

DWPF is a $6.7 billion open-ended unlisted property fund which owns interests in a diversified portfolio of 39 office, industrial and retail properties throughout Australia as at 31 December 2015.

DEXUS is the manager of DWPF and does not have an ownership interest.

DEXUS Office Partnership

DEXUS Office Partnership is a 50 / 50 joint venture formed with CPPIB in 2014 to undertake the acquisition of ASX-listed CPA for $3.4 billion.

The partnership is comprised of 28 office properties valued at $3.8 billion, of which DEXUS has a 50% interest, as at 31 December 2015.

Australian Industrial Partnership

In October 2012, DEXUS formed Australian Industrial Partnership, a 50 / 50 joint venture with a major institutional partner.

Australian Industrial Partnership's portfolio consists of 21 prime industrial properties valued at $575 million, of which DEXUS has a 50% interest, as at 31 December 2015.

DEXUS Industrial Partnership

The DEXUS Industrial Partnership is a 50 / 50 partnership between DEXUS and an Australian sovereign wealth fund, the Future Fund, established in June 2014.

The partnership is comprised of 4 industrial properties valued at $148 million, of which DEXUS has a 50% interest, as at 31 December 2015.

Australian property mandate

DEXUS is an investment manager for a private client property mandate on behalf of a major Australian institutional investor, providing investment, asset and property management services in Australia for 9 assets valued at $1.6 billion across office, industrial and retail as at 31 December 2015.

DEXUS is the manager, but does not have an ownership interest in these properties.

c. Trading

Trading involves the identification of opportunities, to reposition or redevelop real estate assets to enhance value and divest with the intention of generating a profit. Trading properties are either acquired with the direct purpose of repositioning or development, or they are identified from within DEXUS's existing portfolio as having value-add potential.

The diagram below outlines DEXUS's historic Trading Profits, and illustrates that Trading Profits vary from year to year.

Figure 8.21: DEXUS's Trading Profits delivered on properties since 2012

Settlement	Property	Sector	Trading strategy	Sale price ($m)	Trading Profits[a] ($m)	Unlevered project IRR
15 Jun 12	Lenore Drive, Erskine Park	Industrial	Develop	38.1	4.5	22.3%
12 Mar 14	57-101 Balham Road, Archerfield	Industrial	Reposition	24.5	0.8	9.4%
12 Mar 14	163-183 Viking Drive, Wacol	Industrial	Reposition	38.0	3.2	14.6%
1 Jul 14	30 Distribution Drive, Laverton North	Industrial	Develop	9.5	1.0	16.3%
1 Dec 14	50 Carrington Street, Sydney	Office	Reposition	88.0	12.2	13.2%
22 May 15	40 Market Street, Melbourne	Office	Reposition	105.3	17.4	26.0%
21 Jul 15	5-13 Rosebery & 22-55 Rothschild Ave, Rosebery	Industrial	Reposition	190.0	91.8	49.9%[b]
31 Jul 15	154 O'Riordan Street, Mascot	Industrial	Reposition	32.0	15.9	36.7%[b]
	Total			**$515.3m**	**$146.8m**	**23.5%**[c]

a. Pre-tax.

b. Unlevered IRR and includes the weighted cost of debt at 5.0% for the duration of the project.

c. Calculated as an arithmetic average.

DEXUS's track record in trading is demonstrated in the case studies below.

Figure 8.22: Trading case studies

40 Market Street, Melbourne

DEXUS approach:

- Packaging the value-add
  - Acquired in November 2012 for $46.7m at a price per square metre of $3,888
  - Set the trading strategy following market and feasibility analysis
  - Secured a 15 year lease renewal with Powercor
  - Undertook a capital works program to drive realisation of value

Outcomes:

- Improved WALE from 6 years to 15 years
- Sold in September 2014 for $105m at a price per square metre of $8,770
- Settled in April 2015 delivering $17m[b] Trading Profits in FY15 and an IRR of 26%

Rosebery, Sydney

DEXUS approach

- DEXUS held two business park properties in Rosebery[a] that were perceived as:
  - High value, low risk developments located in a strong residential market
  - Having minimal development approval risk and acceptable vacant possession risk
- Negotiated with local planning authorities to extend the Local Environmental Plan and conducted packaging activites which involved commencing residential development plans and joint venture discussions

Outcomes:

- Sold the properties with limited risk and requiring no additional capital, delivering Trading Profits of $17m[b] in FY15 and $74m[b] in FY16

50 Carrington Street, Sydney

DEXUS approach

- Packaging the value-add
  - Identifying the opportunity
  - Market and feasibility analysis
  - Qualifying the opportuny – risk vs reward
  - Setting the trading strategy
  - Creating the leasing and marketing strategy
  - Realisation of value

Outcomes:

- Achieved 100% occupancy on divestment
- Improved WALE
- Exchanged for sale in July 2013 for $88m
- Delivered Trading Profits of $12m[b] in FY15 and IRR of 13.2%

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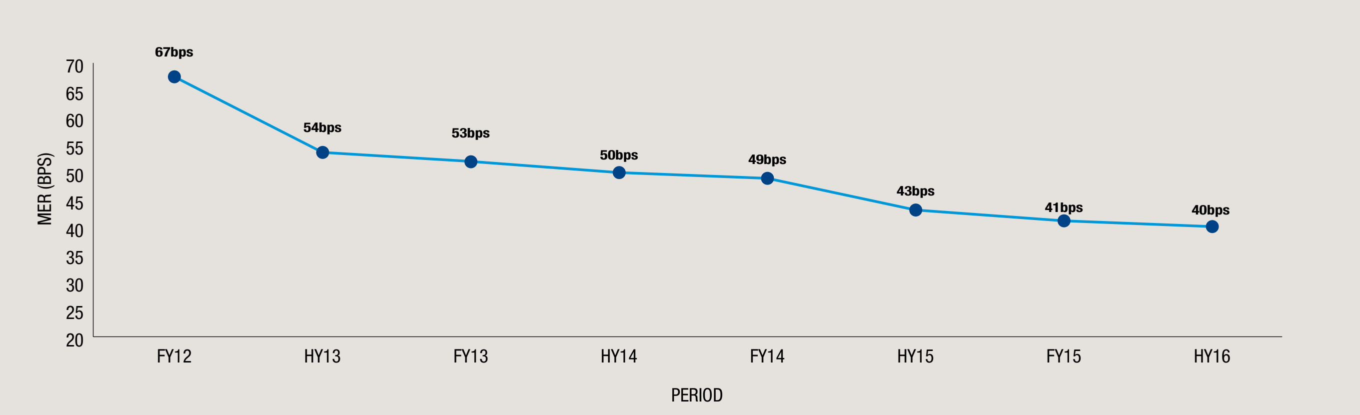
a. 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery.

b. Trading Profits are pre-tax.

Corporate and asset management costs

DEXUS is focused on managing corporate and asset management costs. DEXUS has reduced these costs relative to its asset base (measured as balance sheet FUM) over the past eight consecutive periods. The reduction in the MER over the past eight consecutive periods is set out below.

Figure 8.23: MER



8.5 Financial information

This Section provides a summary of the financial information for DEXUS, and is extracted from audited consolidated financial statements of DEXUS for the years ending 30 June 2014, 30 June 2015, and the reviewed consolidated financial statements of DEXUS for the six months ended 31 December 2015.

The following financial information has been provided in relation to DEXUS:

> financial historical summary information for the years ending 30 June 2014, 30 June 2015 and the six months ended 31 December 2015;

> summarised statutory income statements for the years ending 30 June 2014, 30 June 2015 and the six months ended 31 December 2015;

> FFO and AFFO statements by operating segment for the years ending 30 June 2014, 30 June 2015 and the six months ended 31 December 2015; and

> statutory statements of financial position as at 30 June 2014, 30 June 2015 and 31 December 2015,

(together, the **DEXUS Financial Information**).

This DEXUS Financial Information excludes any pro forma adjustments arising from the implementation of the Proposal. Those adjustments are provided in Section 10 of this Explanatory Memorandum.

Basis of preparation and presentation of the Financial Information

The financial information in this Section 8.5 has been prepared in accordance with the recognition and measurement requirements of AAS adopted by the AASB and the Corporations Act. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The financial information is presented in an abbreviated form and does not include all of the presentation disclosures, statements and comparative information as required by the AAS applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results may differ from these estimates. Past performance is not indicative of future performance.

Critical judgments made by DEXUS management and utilised in the normal course of preparing DEXUS's consolidated financial statements are disclosed in the "About this Report" section of the financial statements of DEXUS for the six months ended 31 December 2015.

The audit and review opinions in the consolidated financial statements released to ASX were issued by PricewaterhouseCoopers and were unqualified. The financial information presented in the tables below does not represent the complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. These financial reports are available from DEXUS's website www.dexus.com.

No historical financial information has been included in relation to DWML as trustee of the DOT IOF Sub-Trust. This is because the DOT IOF Sub-Trust was only established on 1 March 2016 and as such DWML as trustee of the DOT IOF Sub-Trust has no financial history.

a. Financial historical summary

DEXUS's key financial performance and portfolio information for the years ending 30 June 2014, 30 June 2015 and the six months ended 31 December 2015 is summarised in the table below.

	Year ended 30 Jun 14 ($m)[b]	Year ended 30 Jun 15 ($m)[b]	Six months ended 31 Dec 15 ($m)
Business Contribution to FFO			
Underlying FFO	**442.3**	**501.9**	**260.6**
Trading Profits (net of tax)	4.3	42.6	63.3
Funds from Operations (FFO)	**446.6**	**544.5**	**323.9**
Underlying FFO per security	53.9 cps	54.8 cps	26.9 cps
FFO per security	54.4 cps	59.5 cps	33.4 cps
Other key financial performance metrics			
Adjusted Funds from Operations (AFFO)	310.7	369.8	230.7
Distribution per security	37.56 cps	41.04 cps	23.05 cps
Statutory Net profit	406.6	618.7	797.5
Other key metrics			
Gearing[a]	33.7%	28.5%	29.5%
NTA per security	$6.36	$6.68	$7.25

a. Gearing is defined as total interest bearing liabilities divided by total tangible assets. Total interest bearing liabilities excludes deferred borrowing costs and includes the impact of foreign currency fluctuations of cross currency swaps. Total tangible assets comprise total assets less intangible assets, derivatives and deferred tax balances. Gearing metric is adjusted for cash and for debt in equity accounted investments.

b. The financial information for the year ended 30 June 2014 includes the impact of the acquisition of ASX-listed CPA in a 50 / 50 joint venture with CPPIB. In particular, Underlying FFO, AFFO, distribution per security and statutory net profit include the part year impact of the acquisition. The financial information for the year ended 30 June 2015 includes the full year impact of the acquisition.

b. Summarised statutory income statements

	Year ended 30 Jun 14 ($m)[a]	Year ended 30 Jun 15 ($m)[a]	Six months ended 31 Dec 15 ($m)
Revenue From Ordinary Activities			
Property revenue	572.3	548.8	269.7
Proceeds from sale of inventory	69.3	220.1	204.7
Interest revenue	0.2	0.4	0.3
Management fee revenue	58.0	89.6	49.0
Total revenue from ordinary activities	**699.8**	**858.9**	**523.7**
Net fair value gain of investment properties	145.7	130.4	278.6
Equity accounted share in profits	58.3	252.1	337.9
Net fair value gain of interest bearing liabilities	12.3	–	1.0
Reversal of previous impairment of management rights	7.3	–	–
Net fair value gain of derivatives	–	17.4	31.5
Total income	**923.4**	**1,258.8**	**1,172.7**
Expenses			
Property expenses	(141.4)	(142.8)	(73.7)
Cost of sale of inventory	(65.3)	(172.2)	(114.3)
Finance costs	(190.0)	(192.4)	(73.3)
Impairment of goodwill	(0.1)	(0.1)	–
Net fair value loss of derivatives	(2.1)	–	–
Net loss on sale of investment properties	(7.7)	(3.0)	–
Net fair value loss of interest bearing liabilities	–	(15.9)	(30.9)
Impairment of investments accounted for using the equity method	(3.3)	–	–
Transaction costs	(23.9)	–	(1.2)
Other	(71.3)	(86.3)	(46.5)
Total expenses	**(505.1)**	**(612.7)**	**(339.9)**
Foreign currency translation reserve transfer on disposal of foreign operations	0.8	(2.1)	–
Profit/(loss) before tax	**419.1**	**644.0**	**832.8**
Tax expense	(12.5)	(25.3)	(35.3)
Profit/(loss) for the period	**406.6**	**618.7**	**797.5**

a. The financial information for the year ended 30 June 2014 includes the impact of the acquisition of ASX-listed CPA in a 50 / 50 joint venture with CPPIB. In particular, profit/(loss) for the year includes the part year impact of the acquisition. The financial information for the year ended 30 June 2015 includes the full year impact of the acquisition.

c. FFO and AFFO by operating segment

DEXUS's management monitors DEXUS's performance using FFO and underlying FFO for each operating segment. FFO is calculated in accordance with the PCA June 2013 guidelines entitled 'Voluntary Best Practice Guidelines for Disclosing Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)' (**PCA Guidelines**). Underlying FFO is DEXUS's Funds from Operations excluding Trading Profits (net of tax).

DEXUS management has identified DEXUS's operating segments based on the sectors analysed and reviewed in order to monitor performance across DEXUS and to appropriately allocate resources. The operating segments are detailed in the table below.

DEXUS management also monitors DEXUS's performance using AFFO.

AFFO is determined by adjusting FFO for other cash and other items that have not been adjusted in determining FFO and is also calculated in accordance with PCA Guidelines.

Summary FFO and AFFO by operating segment

	Year ended 30 Jun 14 ($m)[b]	Year ended 30 Jun 15 ($m)[b]	Six months ended 31 Dec 15 ($m)
Office property FFO	455.4	533.3	272.3
Industrial property FFO	122.8	112.3	52.5
Total property FFO	**578.2**	**645.6**	**324.8**
Management operations	27.9	37.9	18.9
Group corporate	(27.5)	(30.4)	(16.0)
Net finance costs	(139.4)	(150.8)	(66.9)
Other (including development management fees)	3.1	(0.4)	(0.2)
Underlying FFO	**442.3**	**501.9**	**260.6**
Trading Profits (net of tax)	4.3	42.6	63.3
FFO	**446.6**	**544.5**	**323.9**
Adjusted Funds from Operations (AFFO)	**310.7**	**369.8**	**230.7**
Distribution payout (% AFFO)[a]	101.5%	100.5%	96.7%
Distribution	**315.4**	**385.6**	**223.1**

a. The 30 June 15 AFFO payout ratio has been adjusted to exclude the $13.9m of distributions paid on new securities issued through the institutional placement and security purchase plan announced by DEXUS in April 2015 which were fully entitled to the distribution for the six months ended 30 June 2015. The AFFO payout ratio was 104.3% including this amount.

b. The financial information for the year ended 30 June 2014 includes the impact of the acquisition of ASX-listed CPA in a 50 / 50 joint venture with CPPIB. In particular, Underlying FFO, AFFO and distribution include the part year impact of the acquisition. The financial information for the year ended 30 June 2015 includes the full year impact of the acquisition.

d. Statutory Statement of Financial Position

	As at 30 Jun 14 ($m)	As at 30 Jun 15 ($m)	As at 31 Dec 15 ($m)
Current Assets			
Cash and cash equivalents	14.1	13.0	25.5
Receivables	111.6	55.5	72.2
Non-current assets classified as held for sale	139.6	5.5	–
Inventories	80.3	110.3	37.5
Derivative financial instruments	8.7	15.2	23.0
Other	8.1	27.3	27.3
Total current assets	**362.4**	**226.8**	**185.5**
Non-current Assets			
Investment properties	5,926.5	6,207.3	6,775.5
Plant and equipment	10.8	11.3	14.3
Inventories	235.9	164.5	225.7
Investments accounted for using the equity method	2,813.9	2,795.9	3,197.9
Derivative financial instruments	71.5	316.1	412.0
Deferred tax assets	35.9	10.8	6.2
Intangible assets	292.6	301.4	303.3
Other	1.4	2.3	3.6
Total non-current assets	**9,388.5**	**9,809.6**	**10,938.5**
Total assets	**9,750.9**	**10,036.4**	**11,124.0**

	As at 30 Jun 14 ($m)	As at 30 Jun 15 ($m)	As at 31 Dec 15 ($m)
Current Liabilities			
Payables	111.1	110.7	117.3
Current tax liabilities	1.3	4.2	27.4
Interest bearing liabilities	149.5	150.0	76.1
Provisions	197.2	231.1	256.4
Derivative financial instruments	2.4	8.3	7.5
Total current liabilities	**461.5**	**504.3**	**484.7**
Non-current Liabilities			
Interest bearing liabilities	2,782.1	2,624.0	3,196.7
Loans with related parties	338.4	–	–
Derivative financial instruments	85.7	108.1	92.2
Deferred tax liabilities	21.1	17.2	20.2
Provisions	4.9	2.1	2.4
Other	3.9	3.4	3.2
Total non-current liabilities	**3,236.1**	**2,754.8**	**3,314.7**
Total liabilities	**3,697.6**	**3,259.1**	**3,799.4**
Net assets	**6,053.3**	**6,777.3**	**7,324.6**
Equity			
Contributed equity	5,459.1	5,930.5	5,910.1
Reserves	31.9	51.4	44.7
Retained profits/(accumulated losses)	562.3	795.4	1,369.8
Total equity	**6,053.3**	**6,777.3**	**7,324.6**

Reconciliation of investment properties

The table below provides a reconciliation of the total office and industrial book values provided in Section 8.4 of this Explanatory Memorandum to investment properties per the financial statements as at 31 December 2015[2] outlined in the statement of financial position above.

Figure 8.24: Reconciliation of total property portfolio to investment properties per the financial statements

	As at 31 Dec 15 ($m)
Total property portfolio	10,467
Less: Equity accounted investments[a]	(3,428)
Less: Inventories	(263)
Investment properties per the financial statements	**6,776**

a. Relates to DEXUS's share of investment properties held by investments accounted for using the equity method.

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[2] This is calculated in accordance with the formula in the left hand column in the below table.

Material changes in financial position of DEXUS and other developments

So far as is known by the DEXUS RE Board, there have been no material changes to the financial position of DEXUS between 31 December 2015 (being the date of the statement of financial position for the half year accounts of DEXUS for FY16) and the date of this Explanatory Memorandum.

8.6 Capital and risk management

a. Overview

DEXUS is focused on maintaining a prudent capital management framework. DEXUS manages its capital to maximise the return to DEXUS Securityholders through the optimisation of the debt and equity balance.

DEXUS's key capital management metrics are shown in the table below.

Figure 8.25: DEXUS capital management metrics

Key metrics	As at 31 Dec 15
Cost of debt[a]	4.9%
Duration of debt	5.2 years
Hedged debt (ex caps)[b]	64%
Interest coverage ratio[c]	4.9x
Look through gearing[d]	29.5%
Headroom (approximately)[e]	$0.4 billion

a. Weighted average across the period, inclusive of fees and margins on a drawn basis.

b. Average for the period. Hedged debt (including caps) was 73% for the 6 months to 31 December 2015.

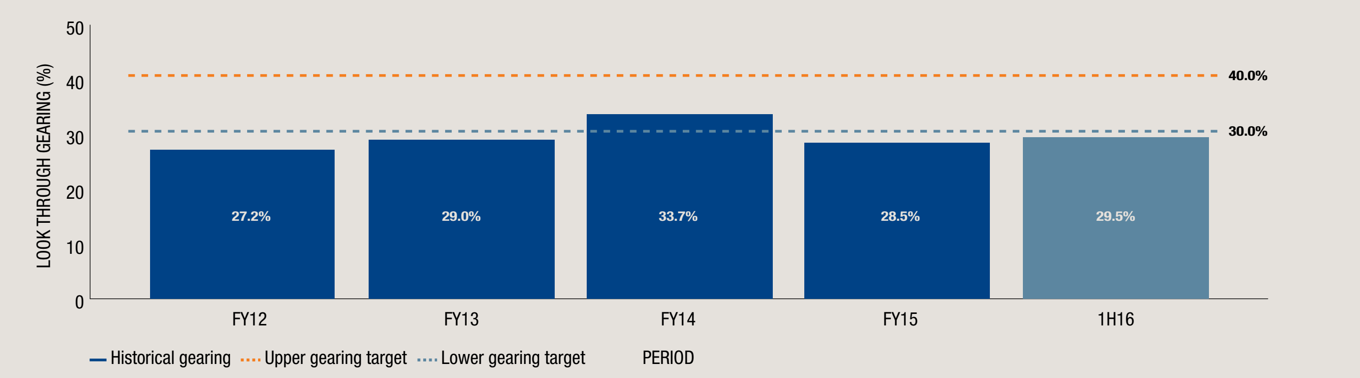
c. Interest coverage ratio means the ratio of earnings before income, tax, depreciation and amortisation (**EBITDA**) to DEXUS interest expense for the six month period ending on that date.

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

e. Undrawn facilities plus cash.

At 31 December 2015, look-through balance sheet gearing was 29.5% which is at the low end of DEXUS's target gearing range of 30 – 40%. DEXUS has a demonstrated history of maintaining its gearing toward the lower end of its target gearing range.

Figure 8.26: DEXUS historical look-through gearing



DEXUS maintains diversified funding sources with a mix of bank facilities (46%), USPP notes (24%), MTNs (19%), US senior notes (144A debt) (8%), and commercial paper (3%) as at 31 December 2015. DEXUS also maintains a reasonable spread of maturities, as highlighted by the debt maturity profile below.

Figure 8.27: DEXUS diversified mix of facilities

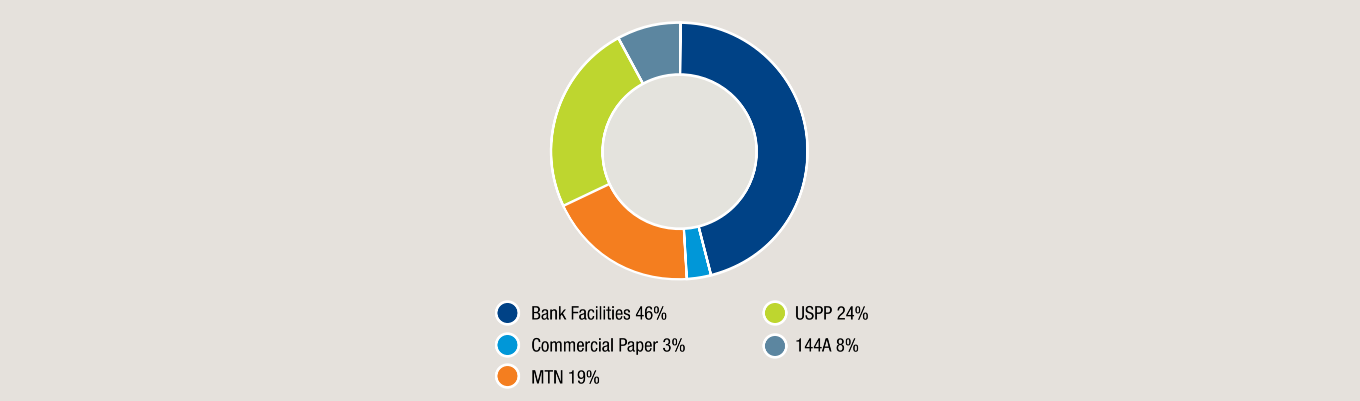
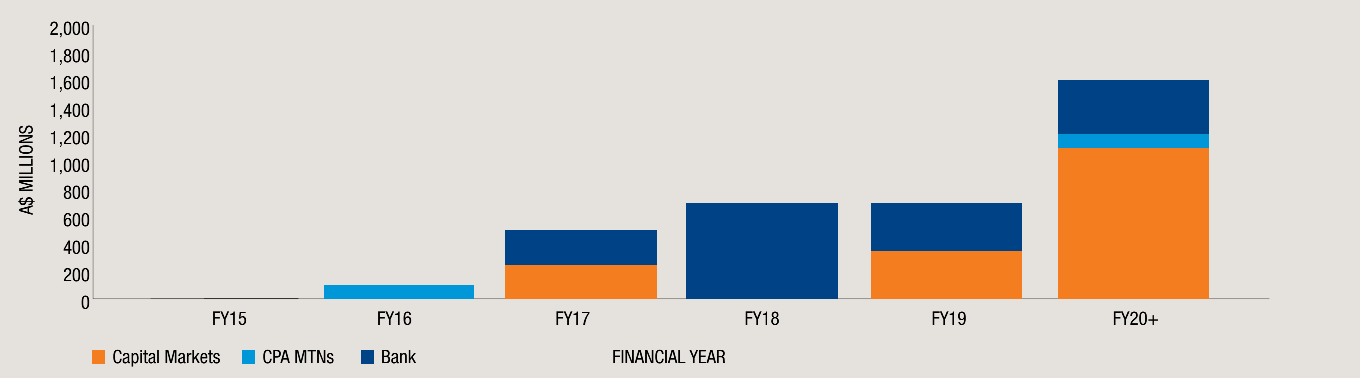


Figure 8.28: DEXUS debt maturity profile



b. Capital management policy

DEXUS manages its capital to ensure that entities within DEXUS maximise the return to owners through the optimisation of the debt and equity balance.

The capital structure of DEXUS consists of debt, cash and cash equivalents and equity attributable to security holders. DEXUS continuously monitors its capital structure and it is managed in consideration of the following factors:

- the cost of capital and the financial risks associated with each class of capital;
- gearing levels and other debt covenants;
- potential impacts on net tangible assets and securityholders' equity;
- potential impacts on DEXUS's credit rating; and
- other market factors.

c. Hedging policy

DEXUS's risk management policy for interest rate risk seeks to minimise the effects of interest rate movements on its asset and liability portfolio through active management of the exposures. The policy prescribes minimum and maximum hedging amounts for DEXUS as determined by the DEXUS RE Board, which is managed on a portfolio basis.

DEXUS maintains a mix of offshore and local currency fixed rate and variable rate debt, as well as a mix of long term and short term debt. DEXUS primarily enters into interest rate swaps and cross currency interest rate swap agreements to manage the associated interest rate and currency risk. DEXUS hedges the interest rate and currency risk on the majority of its foreign currency borrowings by entering into cross currency swaps, which have the economic effect of converting foreign currency borrowings to local currency borrowings at contracted rates. The derivative contracts are recorded at fair value in the statement of financial position, being the market value as quoted in an active market.

For the six months to 31 December 2015, 64% of the average debt (excluding caps) of DEXUS was hedged.

d. Covenants

DEXUS is required to comply with certain financial covenants in respect of its interest bearing liabilities. As at 31 December 2015, DEXUS was in compliance with its covenants.

The table below shows metrics as at 31 December 2015 versus covenants.

Figure 8.29: DEXUS debt facility covenants

Key covenants	Requirement[a]	Actual (As at 31 Dec 2015)
Covenant gearing[b]	Less than 55%	28.4%
Interest coverage ratio[c]	Greater than 2.0x	4.9x
Priority debt[d]	Less than 30%	0.0%

a. Per public bond document.

b. Covenant gearing means the ratio of total interest bearing liabilities to total tangible assets. Total interest bearing liabilities exclude deferred borrowing costs and exclude the impact of foreign currency fluctuations of cross currency swaps. Total tangible assets comprise total assets less intangible assets, derivatives and deferred tax balances.

c. Interest coverage ratio means the ratio of EBITDA to DEXUS interest expense for the 6 month period ending on that date.

d. Priority debt is the sum of a) all outstanding secured financial indebtedness; and b) all outstanding financial indebtedness of DEXUS within entities which are not guaranteeing DEXUS debt as a % of total tangible assets.

e. On-market buy-back

DEXUS announced an on-market buy-back of DEXUS Securities to ASX on 1 September 2015. On entering into the Process Deed on 7 December 2015, DEXUS announced that it had determined to suspend its on-market buy-back. As of that date, 2,858,657 DEXUS Securities had been cancelled and there were 967,947,692 DEXUS Securities on issue.

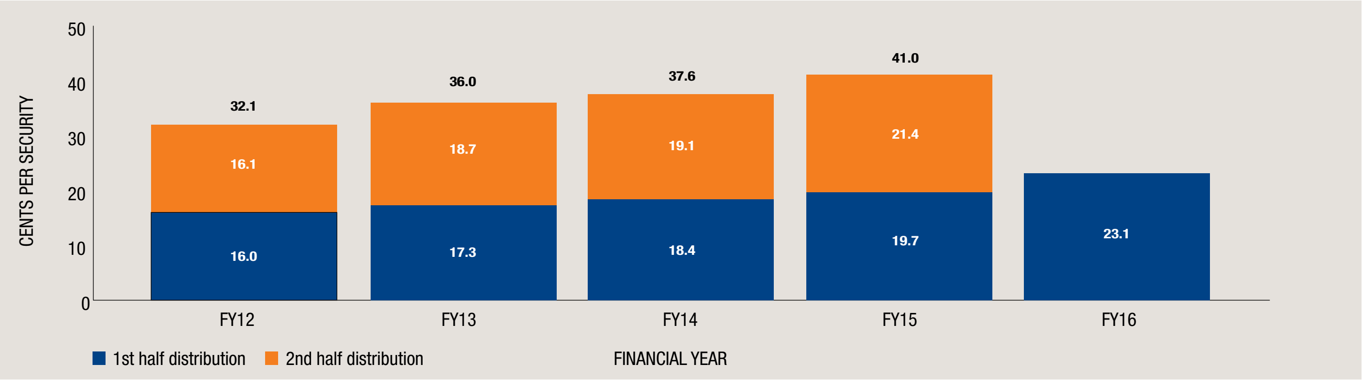
8.7 Distribution history

DEXUS pays half-yearly distributions, with the record dates being the last trading days of December and June and payment dates being in late February and late August. The DEXUS RE Board sets the target distribution each year, having regard to its distribution policy, prior distributions, forecast income and expenditure and other general business and financial considerations. DEXUS's current distribution policy is to set payout levels in line with Free Cash Flow. DEXUS will confirm its distribution guidance for the six month period ending 30 June 2016 via an announcement to the market.

DEXUS does not currently have a distribution or dividend reinvestment plan in operation.

Distributions paid by DEXUS since FY12 are as follows:

Figure 8.30: Distribution summary



Note: For years prior to FY14, figures adjusted for one for six security consolidation in November 2014, which reduced the total number of securities on issue.

8.8 Recent performance

a. Recent security price performance

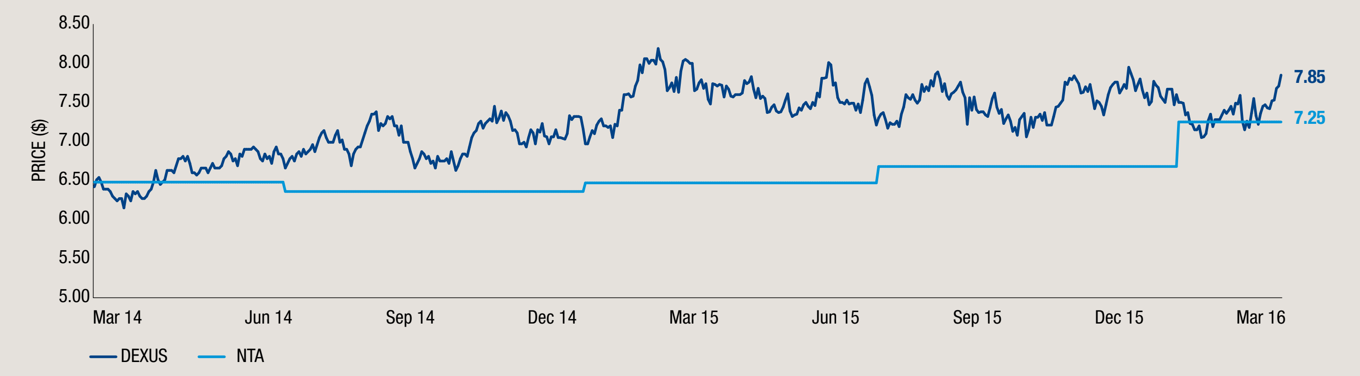
As at 3 March 2016, being the last practicable trading day before the date of this Explanatory Memorandum:

- the last recorded trading price of DEXUS Securities was $7.85, and
- the lowest and highest close prices of DEXUS Securities during the previous three months were $7.05 and $7.85 respectively.

As at 4 December 2015, being the last undisturbed price of DEXUS Securities before the Proposal was announced, the last recorded trading price of DEXUS Securities was $7.65.[3]

Outlined in the chart below is DEXUS's trading price performance since 4 March 2014, being the two year period prior to the date of the Explanatory Memorandum.

Figure 8.31: DEXUS's trading price performance since March 2014



b. Key events

Date	Event
March 2014	> DEXUS closed CPA Offer. > DEXUS received a credit rating upgrade from one of its credit rating agencies.
May 2014	> DEXUS received a credit rating upgrade from another one of its credit rating agencies.
June 2014	> DEXUS established a new partnership with the Australian sovereign wealth fund, the Future Fund. See Section 8.4(b) of this Explanatory Memorandum.
August 2014	> DEXUS released its annual results and financial statements to 30 June 2014.
October 2014	> DEXUS announced that the DEXUS RE Board had approved an on-market securities buy-back of up to 5% of the DEXUS Securities on issue.
November 2014	> DEXUS completed its one-for-six security consolidation.
February 2015	> DEXUS released its half year results and financial accounts to 31 December 2014.
April 2015	> DEXUS announced an equity raising comprising a $400 million institutional placement and a security purchase plan of up to $50 million.
August 2015	> DEXUS announced its annual results and financial statements to 30 June 2015. > DEXUS announced changes to the DEXUS RE Board.
September 2015	> DEXUS initiated an on-market buy-back of up to 5% of the DEXUS Securities on issue. See Section 8.6(e) of this Explanatory Memorandum.

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[3] 4 December 2015 being the trading day prior to the announcement of DEXUS's indicative, unconditional and non-binding proposal to acquire all of the IOF Units.

Date	Event
December 2015	> DEXUS announced the proposal to acquire all IOF Units and enters into the Implementation Agreement. > DEXUS suspended its on-market buy-back of DEXUS Securities. See Section 8.6(e) of this Explanatory Memorandum. > DEXUS announced a significant increase in valuations across the DEXUS portfolio. See Section 8.4 of this Explanatory Memorandum.
January 2016	> DEXUS announced that it received notice from the ACCC that it does not intend to conduct a public review of the Proposal.
February 2016	> DEXUS released 1HY16 year results and financial statements to 31 December 2015.

Copies of announcements made by DEXUS to ASX are available on ASX's website: www.asx.com.au. See also Section 8.17 of this Explanatory Memorandum for more information as to DEXUS's approach to continuous disclosure.

8.9 Material contracts

There are no material contracts to which a member of DEXUS is a party and which are in place which would be breached or adversely impacted by the Proposal or actions by DEXUS RE post-implementation. Further details of other material contracts which may be affected by the Proposal or actions by DEXUS RE post-implementation are set out in Section 9.2 of this Explanatory Memorandum.

8.10 Capital structure

As at the date of this Explanatory Memorandum, DEXUS has the following securities on issue:

Class of securities	Total number of securities
DEXUS Securities (quoted on ASX)	967,947,692

All DEXUS Securities rank equally with each other in all matters, including voting and entitle the holder to participate in distributions and the proceeds on winding up of DEXUS in proportion to the number of DEXUS Securities held. See Section 9.8 of this Explanatory Memorandum for a summary of the rights attaching to the new DEXUS Securities.

DEXUS has both short term and long term incentive plans in place. DEXUS has issued a number of performance rights to select senior executives pursuant to these plans. Further details on these incentive plans and the performance rights are set out in Section 8.15.

8.11 Substantial securityholders

The following persons have notified DEXUS of the fact that they hold a substantial holding (within the meaning of the Corporations Act) in DEXUS Securities as at 3 March 2016, based on substantial holder notice lodgements with ASX, which are available on the ASX website:

DEXUS Securityholder	Effective date	Number of DEXUS Securities	Voting interests at time of notice
Vanguard Group	16 November 2015	77,881,040	8.05%[a]
The Bank of New York Mellon Corporation ATF Newton Investment Management	14 September 2015	70,890,588	7.30%[b]
Blackrock Group	24 March 2014	366,488,530	6.81%[c]
State Street Corporation	25 February 2016	71,465,941	7.38%[d]

a. As disclosed in a substantial holder notice lodged on 16 November 2015 by The Vanguard Group, Inc.

b. As disclosed in a substantial holder notice lodged on 14 September 2015 by The Bank of New York Mellon Corporation.

c. As disclosed in a substantial holder notice lodged on 24 March 2014 by Blackrock Group, number of securities held unadjusted for 1:6 security consolidation implemented 17 November 2014.

d. As disclosed in a substantial holder notice lodged on 25 February 2016 by State Street Corporation.

8.12 Relevant interests and other benefits of DEXUS and the DEXUS RE Directors

a. Relevant Interests of DEXUS in IOF

As at the date of this Explanatory Memorandum, DEXUS does not have a Relevant Interest in IOF Units. On implementation of the Proposal, DEXUS will be the ultimate 100% owner of all the IOF Units on issue.

b. Relevant Interests of DEXUS RE Directors in IOF Units

As at the date of this Explanatory Memorandum, no DEXUS RE Director has a Relevant Interest in IOF Units.

c. Relevant Interest of DEXUS RE Directors in DEXUS Securities

The table below lists the Relevant Interests of the DEXUS RE Directors in DEXUS Securities as at the date of this Explanatory Memorandum:

DEXUS RE Director	Executive or non-executive	Independence status	Interest in DEXUS Securities
Richard Sheppard	Non-executive	Independent	70,090
Elizabeth A Alexander	Non-executive	Independent	16,667
Penny Bingham-Hall	Non-executive	Independent	16,534
John C Conde	Non-executive	Independent	16,667
Tonianne Dwyer	Non-executive	Independent	16,667
Craig D Mitchell[a]	Executive	Non-independent	435,563
Darren J Steinberg[a]	Executive	Non-independent	872,996
Peter St George	Non-executive	Independent	17,334

a. Includes interests held directly and through performance rights.

d. Payments and benefits to DEXUS RE Directors in relation to the Proposal

Other than as disclosed in this Explanatory Memorandum or as permitted pursuant to the provisions of the DEXUS Constitutions in relation to additional or special duties performed by any DEXUS RE Director, no DEXUS RE Director will receive any payment or other benefit through the Proposal.

e. No pre-transaction benefits by DEXUS or its associates

Except as referred to in this Explanatory Memorandum, during the period beginning four months before the date of this Explanatory Memorandum and ending the day before that date, neither DEXUS nor any associate of DEXUS gave, or offered to give or agreed to give a benefit to another person that is not available to Proposal Participants under the Proposal and was likely to induce the other person, or an associate of the other person, to:

> vote in favour of the Proposal; or

> dispose of IOF Units.

8.13 Corporate Governance

a. Corporate governance framework

DEXUS RE is the responsible entity for each of the four real estate investment head trusts that comprise DEXUS. The DEXUS RE Board has implemented a corporate governance framework that extends to all DEXUS funds and mandates which:

> satisfies the highest standards and procedural requirements of a publicly listed company, including the conduct of an annual general meeting, the appointment of independent directors by DEXUS Securityholders and corporate disclosure, such as the remuneration report;

> supports the strategic objectives of DEXUS;

> defines accountability; and

> sets out a process for managing the risks inherent in its day-to-day operations.

The corporate governance framework satisfies the requirements relevant to unit trusts, meets the requirements of the ASX Corporate Governance Principles and Recommendations with 2014 Amendments (3rd edition) and addresses additional aspects of governance that the DEXUS RE Board considers appropriate.

The DEXUS RE Board currently comprises six independent directors and DEXUS's CEO. See Section 8.14(a) for further information regarding the DEXUS RE Directors.

b. DEXUS RE Board responsibilities

The governance framework ensures accountability and a balance of authority by defining the respective roles and responsibilities of the DEXUS RE Board and executive management (as outlined in the Terms of Reference for the DEXUS RE Board and the Group Management Committee). This enables the DEXUS RE Board to maintain a focus of strategic guidance while exercising effective oversight.

The DEXUS RE Board is responsible for determining the strategy of, and for overseeing the business and affairs of, DEXUS for the benefit of DEXUS Securityholders, as well as ensuring that DEXUS's fiduciary and statutory obligations to stakeholders (including third party clients, and capital partners) are met.

Terms of Reference for the DEXUS RE Board and its delegated Committees are available at www.dexus.com/boardcommittees.

c. Corporate governance structure

The following Board Committees have been established to support the DEXUS RE Board in discharging its responsibilities:

> **Board Audit Committee** – to assist the DEXUS RE Board in fulfilling its responsibilities by reviewing the integrity and quality of DEXUS's financial statements and disclosures including auditing, accounting and financial reporting processes. This committee meets at least two times a year.

> **Board Nomination Committee** – to assist the DEXUS RE Board in fulfilling its responsibilities by overseeing all aspects of the DEXUS RE Board nomination and performance evaluation. This committee meets at least three times a year.

> **Board People & Remuneration Committee** – to assist the DEXUS RE Board in fulfilling its responsibilities by overseeing all aspects of Director, Group Management Committee and Key Management Personnel remuneration and also oversees aspects of human resources management. This committee meets at least four times a year.

> **Board Risk Committee** – to assist the DEXUS RE Board, DWPL and DEXUS's third party clients and capital partners in fulfilling their responsibilities as they relate to risk management (including work, health and safety), compliance management, internal audit, and sustainability practices and procedures. This committee meets at least twice a year.

DEXUS RE Board Committee membership and responsibilities are revised regularly to ensure maximum effectiveness. The Terms of Reference for the DEXUS RE Board and the Board Committees are reviewed at least annually.

d. Size and tenure

DEXUS has determined that the size of the DEXUS RE Board should be small enough to be able to act quickly, but large enough to ensure a diverse range of views is provided on any issue. As at the date of this Explanatory Memorandum, the DEXUS RE Board comprised eight members including six non-executive directors, the CEO and the COO. The DEXUS RE constitution allows for the appointment of up to 10 DEXUS RE Directors.

While DEXUS RE Directors are not technically subject to the approval of DEXUS Securityholders, the DEXUS RE Board has determined that all DEXUS RE Directors, other than the CEO, will stand for election by DEXUS Securityholders. If a nominated DEXUS RE Director fails to receive a majority vote, that director will cease to be appointed to the DEXUS RE Board.

DEXUS RE Directors, other than the CEO, will hold office for three years following his or her first appointment (or, if appointed by the DEXUS RE Board between DEXUS annual general meetings, from the date of the annual general meeting after the initial appointment).

e. Non-executive directors' fees

DEXUS RE non-executive directors' fees are reviewed annually by the Board People & Remuneration Committee to ensure they reflect the responsibilities of directors and are market competitive. The Board People & Remuneration Committee reviews information from a variety of sources to inform their recommendation regarding non-executive directors' fees to the DEXUS RE Board. Information considered includes:

> publicly available remuneration reports from ASX-listed companies with similar market capitalisation and complexity;

> publicly available remuneration reports from Australian REIT competitors; and

> information supplied by external remuneration advisers.

Other than the Chair of DEXUS RE who receives a single fee, non-executive directors receive a base fee plus additional fees for membership of Board Committees. The maximum aggregate annual remuneration paid to all non-executive directors may not exceed the amount authorised by DEXUS Securityholders in a general meeting (currently $2.2 million).

f. Indemnification and insurance

The insurance premium for a policy of insurance indemnifying directors, officers and others (as defined in the relevant policy of insurance) is paid by DEXUS Holdings Pty Limited (ABN 48 110 366 946).

g. Codes of Conduct

To meet statutory and fiduciary obligations (including those relating to the management of third party funds and capital partners) and to maintain confidence in its integrity, accountability and responsible decision-making, the DEXUS RE Board implements a series of clearly articulated policies and procedures to which all employees must adhere. All directors and employees are expected to act with the utmost integrity and objectivity and to endeavour at all times to enhance the reputation and performance of DEXUS.

DEXUS RE has a Good Faith Reporting Policy which ensures that concerns regarding unethical, unlawful or improper conduct may be raised without fear of reprisal.

h. Responsible investment and investment considerations

DEXUS does take account of relevant labour standards and environmental, social and ethical considerations in considering investments. DEXUS is committed to operating in a safe and sustainable manner and to minimising the environmental impact of its activities.

In particular, DEXUS aims to minimise the overall environmental impact of its operations, both in the development of new properties and the management of existing properties.

i. Diversity

DEXUS comprises a socially and culturally diverse workplace and has created a culture that is tolerant, flexible and adaptive to the changing needs of its industry. DEXUS is committed to diversity and promotes a work environment conducive to the merit-based appointment of qualified employees, senior management and directors.

j. Stakeholder communication

In addition to conducting an annual general meeting, DEXUS has an investor relations and communications strategy that promotes an informed market and encourages participation with investors. This strategy involves providing an open and ongoing two-way dialogue with the investment community and other key stakeholders that integrates the communication of financial and operational performance, marketing and regulatory reporting requirements.

Copies of DEXUS RE Board and corporate policies are available at www.dexus.com/corporategovernance.

8.14 Board and management

a. DEXUS RE Directors

The DEXUS RE Directors are responsible for the overall corporate governance of DEXUS.

Figure 8.32: DEXUS RE Board

DEXUS RE Board
Richard Sheppard *BEc Hons, FAICD* Appointed 1 January 2012 Richard Sheppard is both Chair and an Independent Director of DXFM, Chair of the Board Nomination Committee and a member of the Board Audit Committee, Board Risk Committee and Board People & Remuneration Committee. Richard is a Director of Snowy Hydro and Star Entertainment Group, and a Treasurer of the Bradman Foundation. Richard brings to the DEXUS RE Board extensive experience in banking and finance and as a director and Chairman of listed and unlisted property trusts. He was Managing Director and CEO of Macquarie Bank and Deputy Managing Director of Macquarie Group from 2007 until late 2011. Following seven years at the Reserve Bank of Australia, Richard joined Macquarie Group's predecessor, Hill Samuel Australia in 1975, initially working in Corporate Finance. He became Head of the Corporate Banking Group in 1988 and headed a number of the bank's major operating groups, including the Financial Services Group and the Corporate Affairs Group. He was a member of the Group Executive Committee since 1986 and Deputy Managing Director since 1996. Richard was also Chairman of the Australian Government's Financial Sector Advisory Council, Macquarie Group Foundation, Eraring Energy and Green State Power.

DEXUS RE Board

Darren Steinberg
Appointed 1 March 2012

Darren Steinberg is the CEO of DEXUS and an Executive Director of DXFM.

Darren has over 25 years' experience in the property and funds management industry with an extensive background in office, industrial and retail property investment and development.

Darren has a Bachelor of Economics from the University of Western Australia.

Darren is a Director and the former National President of the Property Council of Australia, a Fellow of the Australian Institute of Company Directors, Royal Institution of Chartered Surveyors and the Australian Property Institute.

Craig Mitchell
Appointed 12 February 2013

Craig Mitchell is the COO of DEXUS and an Executive Director of DXFM.

Craig is the head of Third Party Funds Management business and DEXUS's retail property portfolio as well as leading the group's technology function. Additionally he is responsible for improving the performance of DEXUS's balance sheet assets. Craig was the CFO of DEXUS from September 2007 until October 2015, where he oversaw operational and strategic finance, accounting, tax and treasury.

Craig has more than 25 years of financial management and accounting experience, with more than 20 years specialising in the property industry. Craig previously held positions with Stockland Group and Westfield.

Craig has a Masters of Business Administration (Executive) from the Australian Graduate School of Management, a Bachelor of Commerce and is a Fellow of CPA Australia. He has also completed the Advanced Management Program at Harvard University, Boston.

Elizabeth A Alexander AM
BComm, FCA, FAICD, FCPA

Appointed 1 January 2005

Elizabeth Alexander is an Independent Director of DXFM, Chair of DWPL and a member of the Board Audit Committee.

Elizabeth is the Chair of Medibank and the Chancellor of the University of Melbourne.

Elizabeth brings to the DEXUS RE Board extensive experience in accounting, finance, corporate governance and risk management and was formerly a partner with PricewaterhouseCoopers. Elizabeth's previous appointments include National Chair of the Australian Institute of Company Directors, National President of the Australian Society of Certified Practising Accountants, Deputy Chairman of the Financial Reporting Council and a member of the Takeovers Panel. Elizabeth was previously Chair of CSL and Director of Amcor and Boral.

Penny Bingham-Hall
BA (Industrial Design), FAICD, SF (Fin)

Appointed 10 June 2014

Penny Bingham-Hall is an Independent Director of DXFM and a member of the Board Risk Committee and Board People & Remuneration Committee.

Penny is a Non-executive Director of BlueScope Steel, Port Authority of NSW, SCEGGS Darlinghurst and Taronga Conservation Society Australia. She is also an independent director of Macquarie Specialised Asset Management.

Penny has broad industry experience having spent more than 20 years in a variety of senior management roles with Leighton Holdings (now CIMIC) including Executive General Manager Strategy, responsible for the group's overall business strategy and Executive General Manager Corporate, responsible for business planning, corporate affairs including investor relations and governance systems. Penny is a former director of the Australian Postal Corporation and the Global Foundation (a member-based organisation promoting high-level thinking within Australia and cooperation between Australia and the world). She also served as the inaugural Chair of Advocacy Services Australia (a not-for-profit organisation promoting the interests of the Australian tourism, transport, infrastructure and related industries) from 2008 to 2011.

DEXUS RE Board

John C Conde AO
BSc, BE (Hons), MBA

Appointed 29 April 2009

John Conde is an Independent Director of DXFM, Chair of the Board People & Remuneration Committee and a member of the Board Nomination Committee.

John is the Chairman of Bupa Australia Holdings, Cooper Energy and the McGrath Foundation. John is President of the Commonwealth Remuneration Tribunal and Deputy Chairman of Whitehaven Coal. John is also Chairman of the Australian Olympic Committee (NSW) Fundraising Committee. John is Co-Chair of the Commonwealth Government's Review Committee for An Independent Parliamentary Entitlements System.

John brings to the Board extensive experience across diverse sectors including commerce, industry and government. John was previously Chairman of Ausgrid (formerly EnergyAustralia), Destination NSW and the Sydney Symphony Orchestra. He was Director of BHP Billiton and Excel Coal, Managing Director of Broadcast Investment Holdings, Director of Lumley Corporation and President of the National Heart Foundation of Australia.

Tonianne Dwyer
BJuris (Hons), LLB (Hons)

Appointed 24 August 2011

Tonianne Dwyer is an Independent Director of DXFM and DWPL, Chair of the Board Risk Committee and a member of the Board Audit Committee.

Tonianne is a Director of Metcash and Queensland Treasury Corporation. She is also a member of the Senate of the University of Queensland.

Tonianne brings to the DEXUS RE Board significant experience as a company director and executive working in listed property, funds management and corporate strategy across a variety of international markets. Tonianne was a Director from 2006 until 2010 of Quintain Estates and Development – a listed United Kingdom property company comprising funds management, investment and urban regeneration – and was Head of Funds Management from 2003. Prior to joining Quintain, Tonianne was a Director of Investment Banking at Hambros Bank, SG Cowen and Societe Generale based in London. Tonianne also held directorships on a number of boards associated with Quintain's funds management business including the Quercus, Quantum and iQ Property Partnerships, the Bristol & Bath Science Park Stakeholder Board and the Cardno Board.

Peter St George
CA (SA), MBA

Appointed 29 April 2009

Peter is an Independent Director of DXFM, Chair of the Board Audit Committee and a member of the Board Risk Committee.

Peter is a Director of First Quantum Minerals (listed on the Toronto Stock Exchange and London Stock Exchange).

Peter has more than 20 years' experience in senior corporate advisory and finance roles within NatWest Markets and Hill Samuel & Co in London. Peter acted as CEO/Co-CEO of Salomon Smith Barney Australia/NatWest Markets Australia from 1995 to 2001. Peter was previously a Director of Boart Longyear, Spark Infrastructure Group (and its related companies) and SFE Corporation.

b. DEXUS management team

DEXUS has a management team with extensive experience in the property industry, including experience in the management, acquisition, leasing, financing, valuation and development of real estate assets.

Figure 8.33: DEXUS management structure

DARREN STEINBERG Chief Executive Officer

Kevin George EGM, Officer & Industrial	**Craig Mitchell** Executive Director & COO	**Alison Harrop** Chief Financial Officer	**Ross Du Vernet** EGM, Strategy, Transactions & Developments	**David Yates** EGM, Investor Relations, Marketing & Communications	**Brett Cameron** General Counsel & Company Secretary	**Deborah Coakley** EGM, People & Asset Solutions
Office & Industrial	Capital & Funds Management	Finance	Strategy, Transactions & Research	Investor Relations, Marketing, Communications & Office Services	Legal, Risk, Governance, Company Secretary & Records Management	People & Culture
	Retail		Developments & Trading			Asset Solutions
	Technology					

c. Group Management Committee

The Group Management Committee comprises eight senior executives and is responsible for achieving DEXUS's objectives, including ensuring the prudent financial and risk management of DEXUS.

Table 8.34: Group Management Committee

Group Management Committee
Darren J Steinberg *CEO of DEXUS and an Executive Director of DXFM* See Section 8.14(a).
Craig Mitchell *COO of DEXUS and an Executive Director of DXFM* See Section 8.14(a).
Ross Du Vernet *Executive General Manager, Strategy, Transactions and Developments* Ross is responsible for corporate strategic planning and execution, corporate and property transactions, developments and trading and property research for DEXUS. Prior to joining DEXUS, Ross was Head of Strategy and Corporate Transactions at Colonial First State Global Asset Management where he was responsible for the strategic planning, M&A and corporate development for the real estate group. Ross has a depth of experience in real estate funds management, capital management and M&A in Australia and abroad.
Kevin George *Executive General Manager, Office & Industrial* Kevin is responsible for the performance of property and asset management across DEXUS's office and industrial portfolios. Kevin has over 26 years' real estate experience with extensive knowledge of Australian office markets. Prior to joining DEXUS in December 2012, Kevin was an International Director of Jones Lang LaSalle and Head of its Australian Leasing Business. In this role, Kevin was responsible for setting and implementing plans focused on sustainable growth in revenues and margins, while driving best practice initiatives globally, as well as domestically across a team of 60 professionals in Australia. Kevin demonstrated successive years of record revenue and margin results for Jones Lang LaSalle in the challenging post global financial crisis market, while also playing a key role in the leasing of some of Australia's most significant development projects including Victoria Harbour in Melbourne and Barangaroo.

Group Management Committee

Brett Cameron
General Counsel and Company Secretary

Brett is the General Counsel and Company Secretary of DEXUS and is responsible for the legal function, company secretarial services and compliance, risk and governance systems and practices across DEXUS.

Prior to joining DEXUS, Brett was Head of Legal for Macquarie Real Estate (Asia) and has held senior legal positions at Macquarie Capital Funds in Hong Kong and Minter Ellison in Sydney and Hong Kong. Brett has 20 years' experience as in-house counsel and in private practice in Australia and in Asia, where he worked on real estate structuring and operations, funds management, mergers and acquisitions, private equity and corporate finance across a number of industries.

Deborah Coakley
Executive General Manager, People & Asset Solutions

Deborah is responsible for the human resources strategy, people development, culture and engagement and providing innovative and customer oriented property services solutions for the asset management teams.

Prior to joining DEXUS in April 2013, Deborah held various management roles in human resources and shared services over the past twenty years, including Head of Group Capability, Loyalty & Corporate, Head of People Shared Services and General Manager Group Resourcing with the Qantas Group and gained consulting and outsourcing experience with Deloitte and Alexander Mann Solutions.

Alison Harrop
CFO

Alison is the CFO of DEXUS and is responsible for the overall finance function, including taxation, treasury, management accounting, corporate accounting and planning and analysis.

Alison has over 24 years of experience, both in Australia and overseas and prior to joining DEXUS, was the General Manager, Group Finance at Westpac. Alison has worked across multi-disciplinary finance, risk and assurance teams for companies including Australia Post, Macquarie Group and Deutsche Bank.

David Yates
Executive General Manager, Investor Relations, Marketing & Communications

David is responsible for the investor relations, marketing and communications function for DEXUS.

David has more than 15 years of experience specifically in the Australian commercial property industry and prior to joining DEXUS in May 2012 was Head of Investor Relations and Corporate Affairs at Colonial First State Global Asset Management. Prior to this he worked in a number of investor relations and communications roles at ING Real Estate, Lend Lease and Schroders Property.

8.15 Incentive plans

a. Short term incentive plan

1. Overview

DEXUS operates a Short Term Incentive Plan (**STIP**) as part of its remuneration program.

Each executive can earn between 70% and 100% of their fixed remuneration under the STIP and up to a maximum of 125% of their individual target for outperformance. Cash payments are made in August of each year.

25% of any award under the STIP is deferred at further risk as performance rights to DEXUS Securities. The number of performance rights awarded is based on 25% of the STIP value awarded to the executive divided by the VWAP of securities 10 trading days either side of the first trading day of the new financial year.

The performance rights vest into DEXUS Securities ordinarily in two equal tranches, 12 and 24 months after being awarded. However, the rights are subject to further risk through clawback and continued employment, and are based on a deferral period commencing 1 July after the relevant performance period. Executives will be entitled to the benefit of distributions paid on the underlying DEXUS Securities prior to vesting, through the issue of additional performance rights.

The DEXUS RE Board retains the right to amend, suspend or cancel the STIP at any time.

2. Performance conditions

The amount each executive can earn is guided by how they perform against a personalised balanced scorecard of key performance indicators for their areas of responsibility that are set at the beginning of each financial year.

3. Forfeiture

There are a number of circumstances in which the performance rights will be forfeited under the STIP. These include where:

> the executive's employment is terminated for any reason within 6 months of the grant date for any reason; or

> the executive voluntarily resigns or is terminated for cause prior to the vesting date.

Notwithstanding the above, if an executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the DEXUS RE Board may decide that the executive should remain in the STIP as a 'good leaver'.

b. Long Term Incentive Plan

1. Overview

DEXUS operates a Long Term Incentive Plan (**LTIP**) as part of its remuneration program for select senior executives.

Select senior executives receive a grant of performance rights which are at risk and subject to performance conditions set by the Board. The number of performance rights granted is based on the executive's grant value (% of fixed remuneration) divided by the VWAP of DEXUS Securities for the 10 trading days either side of the first trading day of the new financial year. Each grant is split into two equal tranches, with a vesting period of three and four years respectively after the grant date. To the extent performance rights vest, DEXUS has stated that it will satisfy the entitlements through an on-market acquisition of DEXUS Securities.

Executives are not entitled to distributions paid on underlying DEXUS Securities prior to their respective performance rights vesting. Executives are also prevented from hedging their exposure to unvested DEXUS Securities. Trading in DEXUS Securities or related products is only permitted with the permission of the CEO of DEXUS.

The DEXUS RE Board retains the right to amend, suspend or cancel the LTIP at any time.

2. Performance conditions

The DEXUS RE Board sets the performance conditions for the LTIP on an annual basis. The four performance conditions for the 2015 LTIP are based on relative total securityholder return, relative return on equity, achievement of adjusted funds from operations per security growth target and achievement of a return on equity target. For further details on performance hurdles and when performance rights will vest, see pages 23 to 25 of DEXUS's 2015 Annual Report which was released to ASX on 31 August 2015.

3. Forfeiture

There are a number of circumstances in which performance rights will be forfeited (ie other than if the pre-determined performance conditions are not met, with there being no retesting). These include where:

> the executive's employment is terminated for any reason within 12 months of the grant date of the relevant performance rights; or

> the executive voluntarily resigns or is terminated for cause prior to the vesting date.

Notwithstanding the above, if an executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the Board People & Remuneration Committee may recommend that the executive should remain in the plan as a 'good leaver', for decision by the DEXUS RE Board.

c. Further information

Requests for free copies of the 2015 Annual Report may be made by contacting the DEXUS Infoline on 1800 819 675 (callers in Australia) or +61 1800 819 675 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days. See also Section 8.17 of this Explanatory Memorandum.

8.16 Summary of DEXUS Constitutions

a. Overview

Each of DDF, DIT, DOT and DXO are registered managed investment schemes. DEXUS RE is the responsible entity for each of DDF, DIT, DOT and DXO. All of DDF, DIT, DOT and DXO are established under their respective constitutions which contain the main rules governing their operation.

The Corporations Act, exemptions and declarations given by ASIC, the Listing Rules (subject to waivers), and the general law of trusts are also relevant to the rights and obligations of DEXUS RE and of DEXUS Securityholders (referred to as members for the purposes of the following summary).

DEXUS RE must ensure that the DEXUS Constitutions meet the requirements of the Corporations Act. DEXUS RE may amend the DEXUS Constitutions without member approval if it reasonably considers that the amendment will not adversely affect members' rights. Any other amendments must be by approval of a special resolution of members.

b. Rights and obligations

The key rights attaching to the DDF Units, the DIT Units, the DOT Units and the DXO Units under the DEXUS Constitutions and the Corporations Act are identical and for that reason have not been separately summarised. The main provisions of the DEXUS Constitutions that deal with the rights and obligations of members are:

1. **units:** a fully paid DDF Unit, DIT Unit, DOT Unit and DXO Unit confers an undivided interest in DDF, DIT, DOT and DXO respectively. The DEXUS Constitutions contemplate the issue of options, partly paid DDF Units, partly paid DIT Units, partly paid DOT Units and partly paid DXO Units;
2. **stapling:** the DEXUS Constitutions provide for the Stapling of units in DDF, DIT, DOT and DXO to other securities. Where DEXUS Securities are Stapled to other securities, members will be holders of the other stapled security in addition to the DEXUS Securities and the stapled securities will be able to be traded only as a single stapled security on ASX;
3. **distributions:** subject to the terms of issue of particular DDF Units, DIT Units, DOT Units or DXO Units, members on the relevant trust's register at the end of a distribution period are entitled to a share in the relevant trust's income (and any capital which is to be distributed) proportionate to their holding. The distribution periods are the periods ending on 30 June and 31 December or such other dates as may be determined by DEXUS RE. Outside of distributions to be paid at the end of distribution periods, DEXUS RE may make distributions of capital and income in its discretion. DEXUS RE may, from time to time, advise DEXUS Securityholders of the terms on which distributions may be re-invested in DEXUS Securities;
4. **transfer:** while they are stapled, DDF Units, DIT Units, DOT Units and DXO Units may only be transferred as part of DEXUS Securities. DEXUS Securityholders may transfer DEXUS Securities by a proper transfer in the manner approved by DEXUS RE. DEXUS RE may refuse to register a transfer of DEXUS Securities where the transfer is not duly stamped (if required) or where such a refusal is permitted by the Listing Rules or ASX. Subject to the Listing Rules and ASX Settlement Operating Rules, while DEXUS is a listed entity, the DEXUS RE Directors may suspend the registration of a transfer at such times and for such periods (not exceeding 30 days in total in any year) as deemed fit;
5. **no redemption:** there is no right of redemption of the DDF Units, DIT Units, DOT Units or DXO Units;
6. **winding up:** if DDF, DIT, DOT or DXO is terminated and wound up, members are entitled to receive a share of the net proceeds of the realisation of all cash, investments, rights and other property of the relevant trust, proportionate to their holding, with adjustment for any unpaid amounts on the DDF Units, DIT Units, DOT Units or DXO Units (as relevant) and after DEXUS RE has deducted its remuneration and costs and subject to any special rights or restrictions attached to any DEXUS Securities or the direction in writing of all DEXUS Securityholders. Each of DDF, DIT, DOT and DXO terminate on the date on which they are terminated in accordance with the DEXUS Constitutions or by law;
7. **DEXUS Securityholders' liability:** for fully paid units, a DEXUS Securityholder's liability is limited under the DEXUS Constitutions to the amount paid (or payable in the case of partly paid units) for their DDF Units, DIT Units, DOT Units or DXO Units;
8. **meetings:** DEXUS Securityholders' rights to requisition, attend and vote at meetings are largely governed by the Corporations Act. The DEXUS Constitutions provide that the quorum for a meeting is, depending on the type of meeting, either ten or twenty members. While the DDF Units, DIT Units, DOT Units and DXO Units are stapled together, meetings of DDF, DIT, DOT and DXO may be held concurrently. Each DDF Unitholder, DIT Unitholder, DOT Unitholder and DXO Unitholder is entitled to receive notice of, attend and (except in certain circumstances) vote at general meetings of DDF, DIT, DOT and DXO and to receive all notices, accounts and other documents required to be sent to DDF Unitholders, DIT Unitholders, DOT Unitholders and DXO Unitholders under the DEXUS Constitutions or the Corporations Act; and
9. **voting:** at a general meeting, DEXUS Securityholders have one vote on a show of hands and one vote for each dollar of the value of DDF Units, DIT Units, DOT Units and DXO Units held on a poll. Voting on resolutions is by a show of hands unless a poll is demanded, except if the resolution is a special resolution, which must be decided on a poll.

c. Powers, duties and liabilities

The DEXUS Constitutions also deal with the powers, duties and liabilities of DEXUS RE:

1. **powers:** generally, DEXUS RE has all powers that it is possible to confer on a trustee and all powers incidental to ownership of the assets of DDF, DIT, DOT or DXO as though DEXUS RE were the absolute and beneficial owner of those assets. In exercising its powers, DEXUS RE may acquire or dispose of any real or personal property and borrow or raise money, encumber any asset of DDF, DIT, DOT or DXO, incur any liability, enter into joint venture arrangements or fetter any power;
2. **issues:** subject to the DEXUS Constitutions, the Corporations Act and the Listing Rules, DEXUS RE has power to issue DDF Units, DIT Units, DOT Units or DXO Units and options over those units on such terms as it determines. Once the DDF Units, DIT Units, DOT Units or DXO Units are stapled together to form a DEXUS Security, any issue of new ordinary units in any of DDF, DIT, DOT or DXO must be matched by a corresponding issue of ordinary units in each of the other three trusts and stapled together. The DEXUS Constitutions contain a number of limits as to the price at which units may be issued;

3. **duties:** DEXUS RE's duties as responsible entity are largely regulated by the Corporations Act;
4. **fees and expenses:** DEXUS RE may recover out of each of DDF, DIT, DOT and DXO's assets, expenses properly incurred in the operation of DDF, DIT, DOT and DXO respectively. The DEXUS Constitutions also authorise DEXUS RE to receive fees calculated at the rate of 1% per annum of gross asset value of all cash, investments, rights and other property of each of DDF, DIT, DOT and DXO plus re-imbursement of actual administration costs.

   These fees are payable monthly and may be waived by DEXUS RE. DEXUS RE has waived its right to receive this fee to the extent it exceeds costs incurred by it in acting as DEXUS RE for so long as it is the responsible entity of DDF, DIT, DOT and DXO.

   The total costs for managing your investment referred to as "management costs" were for the financial year ended 30 June 2015 $31.31 per 1,000 DEXUS Securities. DEXUS RE expects, assuming the Proposal is implemented, that the management costs for FY16 will be $29.39 per 1,000 DEXUS Securities. Management costs information is published on DEXUS's website;
5. **indemnity:** DEXUS RE is entitled to be indemnified out of the assets of DDF, DIT, DOT and DXO for any liability it incurs in properly performing or exercising any of its duties or powers in relation to DDF, DIT, DOT and DXO respectively; and
6. **rights:** DEXUS RE may also:
   A. take and act upon advice from professionals; and
   B. value the assets of DDF, DIT, DOT and DXO at any time (at market value unless it determines there is no market in respect of an asset or that the market value does not represent the fair value of the asset).

d. Further information

Requests for free copies of the DEXUS Constitutions may be made by contacting the DEXUS Infoline on 1800 819 675 (callers in Australia) or +61 1800 819 675 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days. See also Section 8.17 of this Explanatory Memorandum.

8.17 Continuous disclosure by DEXUS

DEXUS is a disclosing entity for the purposes of the Corporations Act and is subject to periodic reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require DEXUS to notify ASX of information about specified matters and events as they arise for the purpose of ASX making that information available to participants in the market.

Once DEXUS becomes aware of any information concerning it which a reasonable person would expect to have a material effect on the price or value of a DEXUS Security, DEXUS must (subject to limited exceptions) immediately tell ASX that information.

The DEXUS RE Board has adopted a Continuous Disclosure Policy to ensure that all DEXUS Securityholders, the market and other stakeholders receive accurate and relevant information in a timely manner. The DEXUS RE Board also has established comprehensive processes and procedures to ensure that all price-sensitive information is disclosed to ASX in accordance with the continuous disclosure requirements of the Corporations Act and the Listing Rules.

Publicly disclosed information about all ASX-listed entities, including DEXUS, is available on ASX website at www.asx.com.au. All information provided to ASX is posted to DEXUS's website (www.dexus.com).

Additionally, copies of documents lodged with ASIC in relation to DEXUS may be obtained from or inspected at ASIC. Please note ASIC may charge a fee in respect of such services.

The following documents are available for inspection free of charge prior to the Meeting during normal business hours at the registered office of DEXUS (See Corporate Directory):

> DEXUS Constitutions;
> DEXUS's annual report for the financial year ended 30 June 2013;
> DEXUS's annual report for the financial year ended 30 June 2014;
> DEXUS's annual report for the financial year ended 30 June 2015; and
> DEXUS's public announcements.

The annual and interim reports and public announcements are also available at www.dexus.com.

Requests for free copies of these documents may be made by contacting the DEXUS Infoline on 1800 819 675 (callers in Australia) or +61 1800 819 675 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

8.18 Exercise of discretion

DEXUS RE has prepared policies for the exercise of discretions under the DEXUS Constitutions relating to prices for DEXUS Securities and other matters. Requests for free copies of these policies may be made by contacting the DEXUS Infoline on 1800 819 675 (callers in Australia) or +61 1800 819 675 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

8.19 Fees and other expenses of the Proposal

DEXUS RE has appointed legal, accounting, tax and financial advisers. Each adviser is entitled to receive the usual professional fees in accordance with either time-based or success-based charges.

8.20 Complaint handling procedures

DEXUS RE has procedures in place to consider and deal with any complaints received from holders of DEXUS Securities in connection with an investment in DEXUS.

DEXUS RE will use reasonable endeavours to deal with and resolve complaints within a reasonable time from the date of receipt of the complaint.

Complaints may be submitted in writing to:

Dispute Resolution Officer
DEXUS Funds Management Limited
PO BOX R1822
Royal Exchange NSW 1225

Alternatively, you may call the Dispute Resolution Officer on +61 2 9017 1330 between 8.30am and 5.00pm (Sydney time), on Business Days.

The complainant should provide DEXUS RE with all relevant information that DEXUS RE may require to properly deal with, and resolve the complaint.

DEXUS RE will inform the complainant by notice in writing of its decision in relation to the complaint, the remedies (if any) and any avenues of appeal that may be available.

DEXUS RE will provide the complainant with all reasonable assistance and information required for the purpose of making a complaint and understanding the complaints handling procedures adopted by DEXUS RE.

If you are dissatisfied with the response or the complaint is not dealt with and resolved within 45 days, you may raise the matter directly with the Financial Ombudsman Service. Its contact details are:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Telephone: 1300 780 808

DEXUS RE is a member of the Financial Ombudsman Service Limited.

8.21 No other information

As mentioned in Section 11.2(a) of this Explanatory Memorandum, DEXUS had the opportunity to conduct due diligence in accordance with an agreed due diligence list during the period from 7 December 2015 to 18 December 2015 and to review documents not provided in that period which were included on that list after that date until the date of this Explanatory Memorandum. As part of this due diligence, DEXUS was given access by ILFML to certain information concerning the IOF Group which has not been disclosed generally to IOF Unitholders.

Except as disclosed in this Explanatory Memorandum, none of the information to which DEXUS RE was given access by ILFML is, in the opinion of DEXUS RE, of such a nature and quality which, if the information were generally available, a reasonable person would expect to have a material effect on the price or value of IOF Units. Further, in the opinion of DEXUS RE and except as disclosed in this Explanatory Memorandum, none of that information would otherwise be material to a decision by IOF Unitholders whether or not to vote in favour of the Proposal.

However, the fact that DEXUS RE's decision to enter into the Implementation Agreement was confirmed by its review of the information to which it had access at that time may itself be regarded as information material to the decision of an IOF Unitholder whether or not to vote in favour of the Proposal.

9

PROFILE OF THE MERGED GROUP

All figures in this Section 9 are as at 31 December 2015 unless stated otherwise.

9.1 Overview of the Merged Group

a. Overview

The Merged Group will be known as DEXUS and will be one of Australia's leading REITs, bringing together two high quality complementary office portfolios with a focus on Prime grade Australian CBD properties. It is expected that key attributes of the Merged Group will include:

> total of $24.6 billion of assets under management, $17.6 billion of which would comprise office properties;[1]

> one of the largest office landlords in Australia, with an owned portfolio of 71 office properties, valued at $12.3 billion representing 1.3 million square metres of net lettable area;[2]

> management expense ratio of below 35 basis points,[3] representing a significantly enhanced outcome compared to the fees payable under existing management arrangements;

> strong balance sheet and high quality credit metrics, with pro forma look-through gearing of 33.5% within the target range of 30 to 40%;[4] and

> market capitalisation of approximately $9.6 billion, making the Merged Group the 6th largest Australian REIT, leading to increased global relevance for debt and equity investors.[5]

Securityholders of the Merged Group will benefit from enhanced asset, geographic and tenant diversification. The Merged Group will also have improved flexibility and capacity to unlock development and repositioning potential, increased scope to action portfolio leasing strategies for customers (tenants) and improved margins. While not included in FY16 pro-forma forecasts, procurement benefits are also expected to be achieved over time.

The Merged Group will have the highly experienced DEXUS RE Board and senior management team with substantial experience in the property industry and property related finance, accounting and legal services. Further details are set out in Section 8.14 of this Explanatory Memorandum.

b. Merged Group overview

The Merged Group's current intention, further details of which are set out in Section 9.2 of this Explanatory Memorandum, will be to continue to invest in, develop, manage and trade Australian office and industrial property in accordance with DEXUS's existing strategy.[6] The Merged Group's owned portfolio will be valued at $14.0 billion (as at 31 December 2015), with the majority comprising Prime Grade office properties. In addition, the Merged Group will also be one of Australia's largest real estate investment managers, with a total of $24.6 billion of assets under management:

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1. Based on DEXUS property portfolio as at 31 December 2015, the IOF property portfolio as at 31 December 2015, DEXUS's third party funds' / partners' properties as at 31 December 2015 and assuming the Proposal becomes Effective and is implemented.
2. NLA presented on an ownership adjusted basis.
3. On a full year pro forma basis assuming the Proposal becomes Effective and is implemented by 1 July 2015.
4. Refer to definition of 'DEXUS look-through gearing' in Section 16.1 of this Explanatory Memorandum.
5. Market capitalisation calculation as the total DEXUS Securities plus the Total Scrip Pool multiplied by the DEXUS Security price as at 3 March 2016.
6. See also Section 9.2 of this Explanatory Memorandum.

Combined portfolio	Third party funds portfolio	Total merged group
$14.0bn	**$10.6bn**	**$24.6bn**
Owned and managed portfolio of Australian office and industrial properties	Management of a diverse portfolio of office, industrial and retail properties on behalf of third party partners and funds	
OFFICE: **$12.3bn**	OFFICE: **$5.3bn**	OFFICE: **$17.6bn**
INDUSTRIAL: **$1.7bn**	INDUSTRIAL: **$1.2bn**	INDUSTRIAL: **$2.9bn**
	RETAIL: **$4.1bn**	RETAIL: **$4.1bn**
DEVELOPMENT PIPELINE (future growth)		
DEVELOPMENT: **$1.2bn**[a]	DEVELOPMENT: **$2.1bn**	DEVELOPMENT: **$3.3bn**

a. The combined development pipeline excludes the incentives for the IOF property 151 Clarence Street, NSW.

c. Owned office portfolio

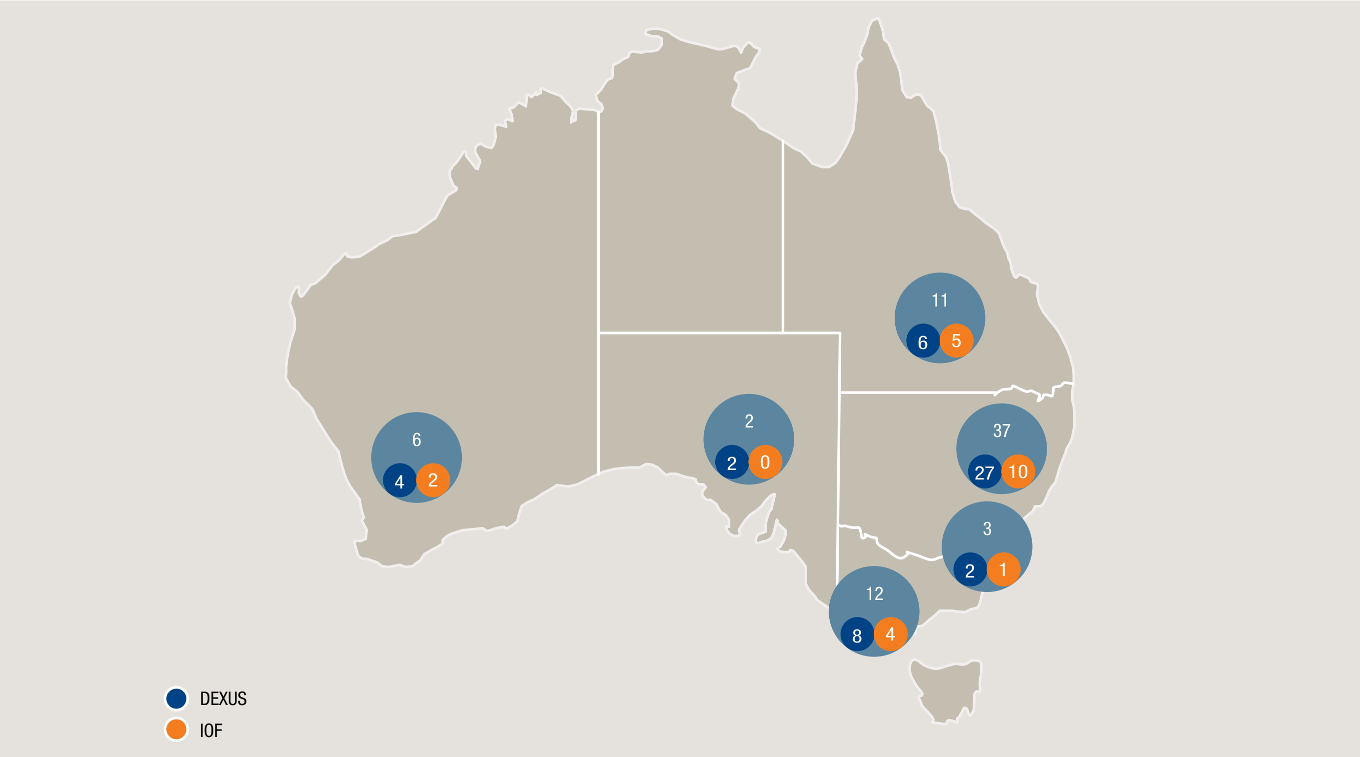
A summary of the Merged Group's owned office portfolio metrics and map showing asset locations are outlined below. Detailed breakdowns of the respective portfolios are available in Sections 6.3 and 8.4 of this Explanatory Memorandum.

Figure 9.1: Merged Group's owned office portfolio key metrics

	DEXUS[a,b]	IOF[c]	Merged Group[d]
Number of properties	49	22	71
Number of wholly owned properties	19	15	34
Book value ($bn)	8.8	3.5	12.3
WALE[e]	4.4 years	5.0 years	4.5 years
Occupancy[e]	94.1%	94.3%	94.1%
Weighted Average Capitalisation Rate	6.30%	6.33%[f]	6.31%[f]

a. Based on DEXUS property portfolio as at 31 December 2015.
b. DEXUS balance sheet office portfolio only.
c. IOF book value as at 31 December 2015 including 383 La Trobe Street, Melbourne which has been sold by IOF and is subject to a deferred settlement period of between 12 – 18 months from the date of exchange.
d. Based on DEXUS and IOF book value at 31 December 2015 adjusted for the impact of the Proposal becoming effective and being implemented.
e. By income. DEXUS and IOF statistics are as at 31 December 2015.
f. Excluding 383 La Trobe Street, Melbourne (asset contracted for sale) and 151 Clarence Street, Sydney (property under development).

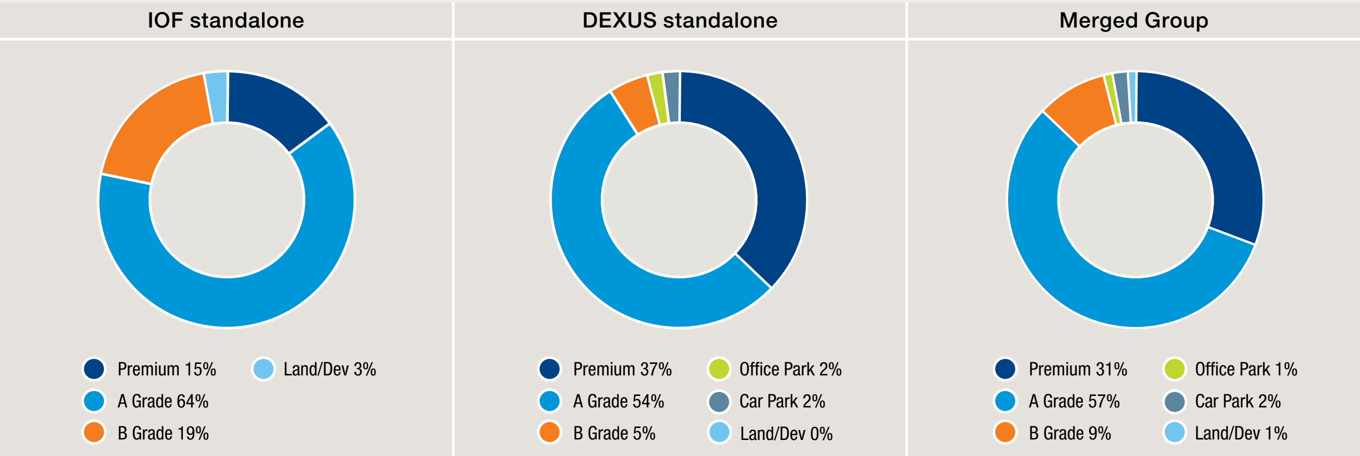
Figure 9.2: Location of office properties



Increased portfolio diversification

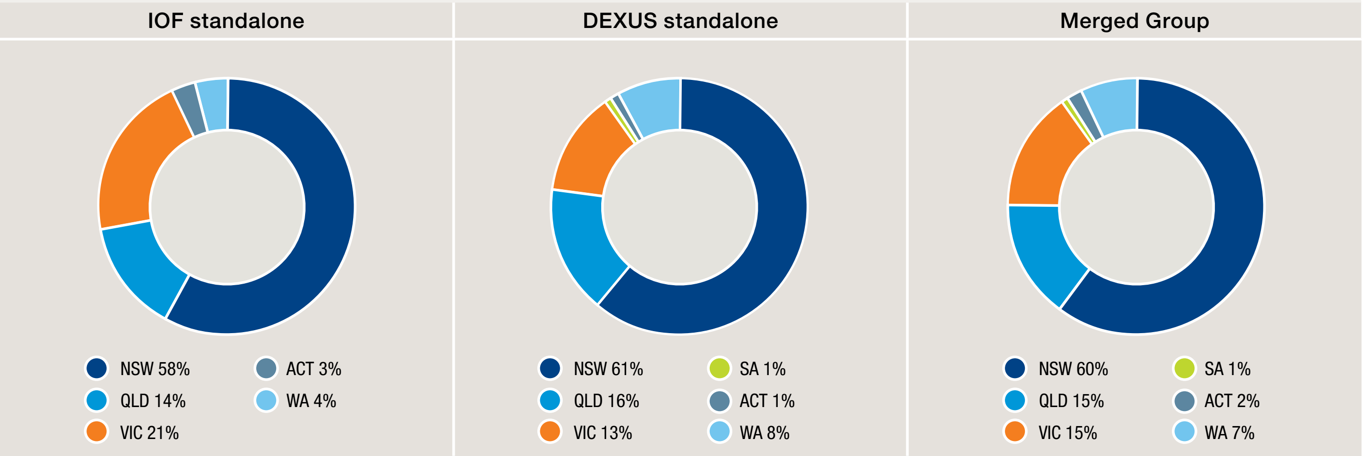
The combination of the two portfolios is highly complementary given their respective Prime Grade Australian CBD focus. The core exposure of both portfolios to the key New South Wales and Victoria markets has been maintained and portfolio benefits are expected from enhanced diversification across assets, tenants and geographies.

Figure 9.3: Office portfolio quality by value[a]



a. As at 31 December 2015.

Figure 9.4: Office portfolio geographic diversification by value[a]



a. As at 31 December 2015.

Figure 9.5: Asset concentration by value

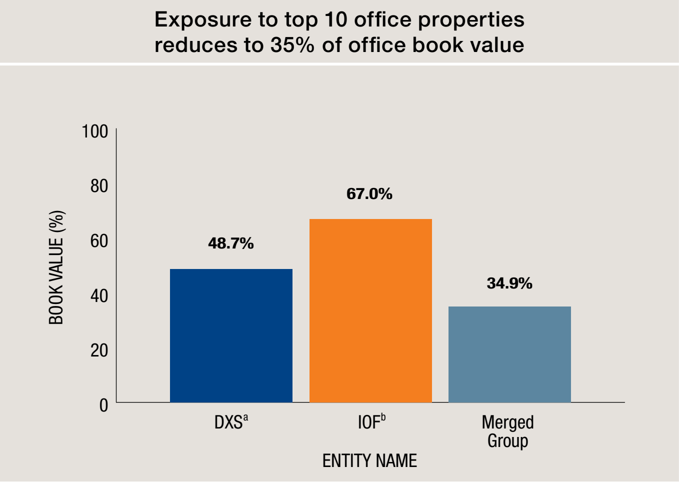
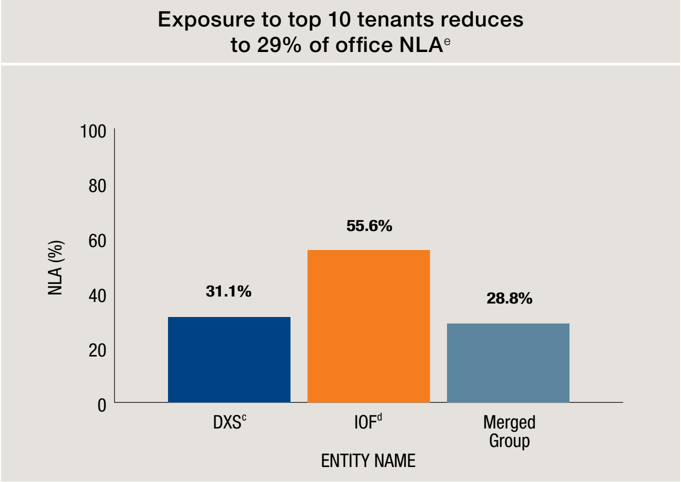
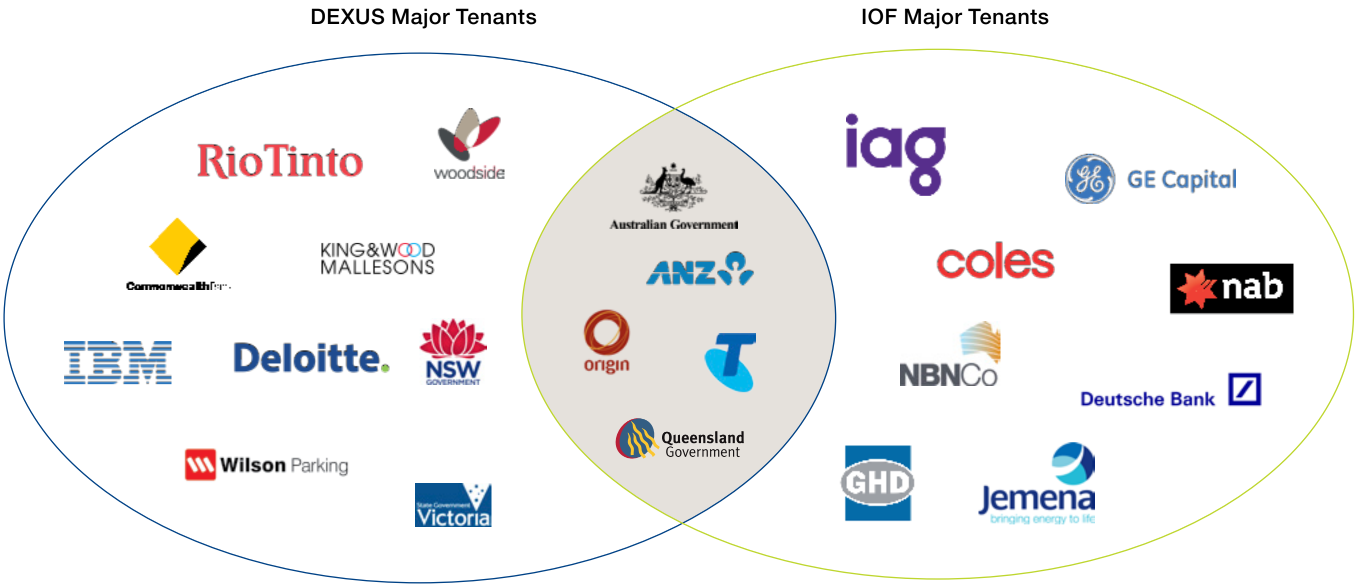

Exposure to top 10 office properties reduces to 35% of office book value

Figure 9.6: Tenant concentration by NLA


Exposure to top 10 tenants reduces to 29% of office NLA[e]

a. DEXUS property portfolio as at 31 December 2015.
b. IOF book value as at 31 December 2015.
c. Based on DEXUS 31 December 2015 portfolio and tenant NLA data.
d. Based on IOF 31 December 2015 portfolio and tenant NLA data.
e. NLA is ownership share of Net Lettable Area.

The combination of two complementary portfolios will broaden the exposure to major corporate tenants, enhancing the Merged Group's ability to accommodate current and future tenant needs and providing exposure to new tenants from within each portfolio.



DEXUS Major Tenants

IOF Major Tenants

Adds >375 new customers to DEXUS's office porfolio representing more than >85% of IOF's tenant base

The Merged Group deepens relationships with >15 existing major tenants.

The top 10 tenants comprise large corporate entities and government bodies and represented 26% (by income) of the office portfolio as at 31 December 2015.

Figure 9.7: Merged Group top 10 tenants

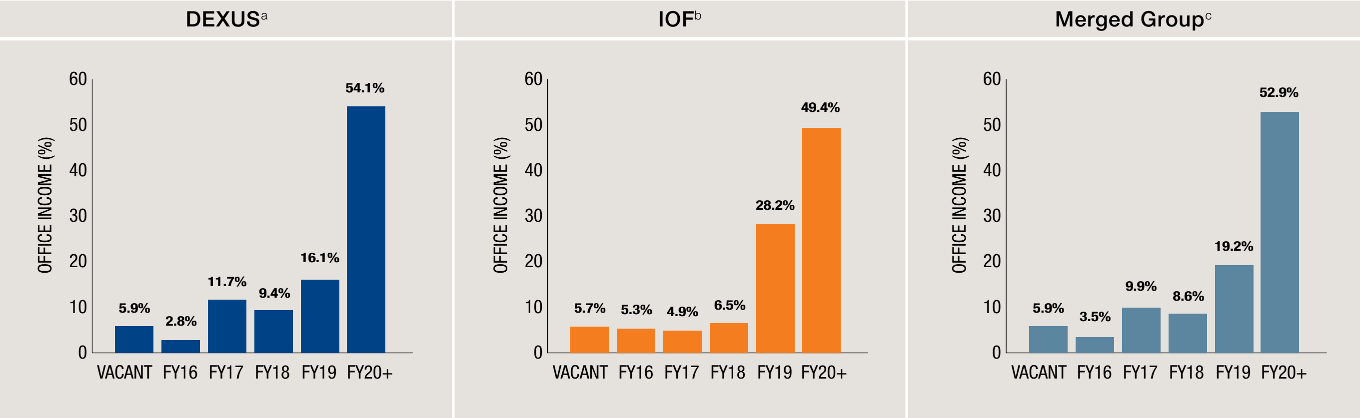
Tenant	% of HY16 income[a]
Commonwealth of Australia	5.5%
Woodside Energy	3.6%
Wilson Parking	3.0%
ANZ	2.6%
Rio Tinto	2.5%
Commonwealth Bank of Australia	2.3%
Telstra Corporation	2.2%
State of NSW	1.7%
Deloitte	1.5%
State of QLD	1.4%

a. Income represents 31 December 2015 fully leased DEXUS portfolio passing income.

Lease expiry profile

The two portfolios have lease expiry profiles that are spread over a number of years. The Merged Group's WALE is 4.5 years compared to IOF's WALE on a standalone basis of 5.0 years. The Merged Group's exposure to lease expiries in FY19 decreased to 19% on a merged basis compared IOF on a standalone basis of 28%.

Figure 9.8: Merged Group lease expiry profile



a. DEXUS lease expiry profile as at 31 December 2015.
b. IOF lease expiry profile as at 31 December 2015.
c. Merged Group lease expiry profile as at 31 December 2015.

Combined development pipeline

As at 31 December 2015, the Merged Group's development pipeline will be $1.2 billion comprised of:

- > DEXUS's $1.1 billion development portfolio; and
- > IOF's approximately $120 million[7] development of 151 Clarence Street, Sydney.

DEXUS has identified a number of other potential development and repositioning opportunities within the IOF portfolio, which will be fully assessed post successful implementation of the Proposal. In addition, DEXUS will continue to manage DEXUS's $2.1 billion development pipeline within its Third Party Funds platform.

Further details of the DEXUS and IOF development pipelines are contained in Sections 6.4 and 8.4 of this Explanatory Memorandum, respectively.

See also Section 9.2 of this Explanatory Memorandum in respect of the Merged Group's intentions.

9.2 Intentions of the Merged Group

a. Introduction

Assuming the Proposal is implemented and IOF becomes part of the Merged Group, this Section 9.2 sets out DEXUS RE's intentions in relation to:

- > the continued operation of IOF;
- > any major changes to be made to the operation of IOF, including any redeployment of IOF property; and
- > any plans to remove the current responsible entity of IOF and appoint a new responsible entity.[8]

These intentions are based on the terms of the Proposal and the information concerning IOF, its business and the general business environment which is known to DEXUS RE at the time of preparation of this Explanatory Memorandum.

Despite having conducted due diligence in relation to IOF, DEXUS RE does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of some of its current intentions. Final decisions regarding these matters will only be made by DEXUS RE following implementation of the Proposal in light of any further material information received and the circumstances at the relevant time. Accordingly, the statements set out in this Section 9.2 are statements of current intention only, which may change as new information becomes available to DEXUS RE or as circumstances change.

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[7] This figure excluded incentives.

[8] In accordance with section 636(1)d of the Corporations Act.

b. Corporate matters

Acquisition of IOF Units and removal from Official List of ASX

The Proposal relates only to the acquisition by the Bidder of 100% of the IOF Units by trust scheme. If the Proposal is implemented, ILFML is required under the Implementation Agreement to arrange for all of the IOF Units to be removed from the Official List of ASX. This removal is expected to occur shortly after implementation of the Proposal.

Impact on management of IOF

As previously stated by DEXUS RE in announcements regarding the Proposal,[9] the Proposal does not involve the removal of the responsible entity of IOF or any change in the management arrangements of IOF. IOF is managed by IOM which, until a few days before the date of this Explanatory Memorandum, was ultimately owned by funds controlled by Morgan Stanley. On 22 February 2016, Investa Wholesale Funds Management Limited announced that it had entered into a binding agreement for a new company to be stapled to IOF to acquire IOMH, the owner of IOM, from Morgan Stanley.

While DEXUS RE had held some discussions with Morgan Stanley in relation to the transition of management of IOF to DEXUS should the Proposal be implemented, no agreement has been reached. No discussions have been held with IWFML or IOM's new ultimate owners in relation to the transition of management of IOF.

DEXUS RE intends following implementation of the Proposal to exercise the legal and equitable rights it will have as the ultimate owner of IOF to ensure an orderly integration of the Merged Group.[10]

Set out below are the steps DEXUS RE intends to take to achieve this if the Proposal is implemented and the Bidder acquires 100% of the IOF Units.

Intended steps

1. **Meeting to remove responsible entity:** DEXUS RE intends to procure that the registered owners of the IOF Units convene separate meetings of the AJO Fund and PCP Trust members to pass the following resolutions:
   - an extraordinary resolution to remove ILFML as responsible entity of AJO Fund and PCP Trust respectively and appoint DXFM as responsible entity of AJO Fund and PCP Trust; and
   - a special resolution to reduce the AJO Fund and PCP Trust responsible entity fees respectively to nil in recognition that the trusts will no longer be externally managed.

The meetings are expected to be held 22 days after the meetings are convened. The registered owners of the IOF Units will appoint a chair for each of those meetings.[11] See Section 11.3(a) of this Explanatory Memorandum for risks associated with change of responsible entity.

2. **Notification of change of responsible entity:** if the resolutions are passed at the meetings of the AJO Fund and PCP Trust members, ILFML (as outgoing responsible entity) will make the appropriate filings with ASIC to notify of the change of responsible entity. The changes will take effect once ASIC alters the record of registration.
3. **Handover:** on the change of the responsible entity of each of AJO Fund and PCP Trust, ILFML (as outgoing responsible entity) will be obliged by law and under the IOF trust documents to:
   - cooperate with DXFM (as incoming responsible entity);
   - provide DXFM with certain books, documents and records relating to the AJO Fund and PCP Trust; and
   - give DXFM other reasonable assistance to facilitate the change of responsible entity.

   In accordance ILFML's obligations above, DEXUS RE expects that this handover would occur without any unreasonable delay.

   DEXUS RE intends to establish a dedicated team to attend to the handover arrangements.

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[9] See DEXUS's ASX announcements dated 7 December and 18 December 2015.

[10] This is consistent with DEXUS's ASX announcement dated 18 December 2015.

[11] Instead of convening meetings to pass extraordinary resolutions to change the responsible entities, DEXUS may seek relief from ASIC to enable the responsible entity changes to be effected by the registered owners giving their written unanimous consent.

4. **Changes to IOF's subsidiary trusts:** following on from the change of AJO Fund's and PCP Trust's responsible entities, DEXUS RE intends to procure, where appropriate, that the unitholders of the sub-trusts within the IOF Group that own the wholly owned properties exercise their rights to remove their current trustee and appoint a Controlled Entity of DEXUS as the trustee instead. DEXUS RE believes that these rights exist in relation to at least 12 of the 15 wholly owned properties. To the extent that other IOF Group trusts and sub-trusts are co-owned, DEXUS RE will discuss the change of trustee with the relevant co-owners.

   Once the trustees have been changed, DEXUS RE will attend to the assignment and novation of contracts in the name of each outgoing trustee to each new trustee as appropriate.

5. **Constitutional changes and deregistration:** DXFM may over time procure that the registered owners of the IOF Units:
   - change the constitutions of AJO Fund and PCP Trust so that their constitutions are more aligned with the rest of the Merged Group; and
   - seek to deregister the AJO Fund and PCP Trust as registered managed investment schemes.

   DEXUS RE may over time seek to amend the subsidiary trust constitutions to align with those of the rest of the Merged Group's wholly owned subsidiary trusts.

Effect of change of responsible entities and trustees on current arrangements

If ILFML ceases to be the responsible entity of AJO Fund and PCP Trust post-implementation of the Proposal and DXFM becomes the responsible entity in ILFML's place, the following outcomes would arise:

> **management services under the Management Deed:** under the Management Deed, ILFML appoints IOM to provide fund management services to IOF and its subsidiary trusts and their trustees. IOM provides funds management services to IOF through the Investa Office Management Platform. If DXFM replaces ILFML as the responsible entity of IOF, as DXFM is not a member of Investa Property Group, the deed will terminate on the change of responsible entity of IOF.

> **rights under the Investa Implementation Deed:** the Investa Implementation Deed is between ILFML, IOMH and IPGH. This deed gives ILFML certain refusal rights and potentially rights to negotiate acquisitions terms in respect of a platform interest. If DXFM replaces ILFML as the responsible entity of IOF, this deed terminates.

> **Property Management Arrangements:** for wholly-owned properties, the Property Management Arrangements have fixed terms (ending no later than 31 December 2019) and will not terminate or give rise to any additional right of termination as a result of a change of the responsible entities of AJO Fund and PCP Trust or a change of any sub-trustees.[12] In relation to the co-owned properties, some of these Property Management Arrangements may be terminated on notice but a change of property manager will require the consent or co-operation of the relevant co-owner.

Following implementation of the Proposal and the replacement of ILFML as the responsible entity of IOF, DEXUS RE intends to evaluate the possibility of discontinuing the Property Management Arrangements and either appointing alternative service providers or amending the existing arrangements. Except in the case of termination in accordance with the existing terms of the Property Management Arrangements (for example, for cause in the case of wholly-owned properties or notice in the case of co-owned properties), any termination or amendment would require the consent of the existing providers for the wholly-owned properties and the co-owners in relation to co-owned properties. To this end, post-implementation of the Proposal, DEXUS RE intends to have discussions with the relevant property management providers (and co-owners, where applicable).[13] No certainty can be provided as to the outcome of these discussions or the terms of any subsequent arrangements that might be entered into.

Assuming the Property Management Arrangements continue in accordance with their terms, DEXUS RE currently intends in respect of the properties which will be wholly owned by the Merged Group, appoint alternative service providers at the end of the term. In respect of the properties which will be co-owned by the Merged Group, DEXUS RE currently intends to discuss the preferred approach with the co-owners.

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[12] Whilst the trustee of the sub-trust which owns 567 Collins Street has a termination right on a change in responsible entity, the exercise of any termination right will need to be agreed with the co-owner of that property.

[13] See footnote 12 in relation to 567 Collins Street.

Effect of change of responsible entity and trustees on other arrangements

If consent is not obtained from the relevant counterparty in relation to the change of the responsible entity to DXFM at the IOF level or a change of the trustee to a DEXUS entity at the sub-trust level, the counterparty may be able to exercise default rights to require a pre-emptive rights process to be followed.

These effects are summarised in Figure 9.9 below and, in relation to effects under the documents in relation to the IOF Debt Facilities, in Figure 9.10 in Section 9.3(b) of this Explanatory Memorandum.

Figure 9.9: Overview of affected arrangements and relevant consequences

Document	Document summary	Impact
Bond Street Co-owner Agreement	The Bond Street Co-owner Agreement provides for certain governance, management arrangements and restrictions on dealings in relation to the 20 Bond Street, Sydney property or in connection with a party to the Bond Street Co-owner Agreement. Default can occur in favour of the other co-owner where there is a prohibited disposal. Prohibited disposals include a change in control of IOF or a change of the responsible entity of IOF. If default rights are triggered, an independent valuation must be undertaken to determine the net proceeds of a sale. Once determined, the non-defaulting co-owner may purchase the defaulting co-owner's share of the property at the determined price and on prescribed sale conditions.	*Implementation of Proposal* The acquisition of all of the IOF Units by the Bidder, without consent, would be a prohibited disposal giving the co-owner a default right to purchase the defaulting co-owner's share of the property as described in the document summary column. *Change of responsible entity at IOF level* The effect is the same as set out above. DEXUS RE intends to seek the consent of the co-owner to implement the Proposal and effect a change of responsible entity.

Document	Document summary	Impact
George Street Co-owner Agreement	The George Street Co-owner Agreement provides for certain governance, management arrangements and restrictions on dealings in relation to the 388 George Street, Sydney property or in connection with a party to the George Street Co-owner Agreement. Default can occur in favour of the other co-owner where there is a prohibited disposal. Prohibited disposals arise from a change of responsible entity in IOF. Also, a co-owner wishing to deal in its interest in the property must, subject to certain exceptions, follow a pre-emptive rights process. If default rights are triggered an independent valuation must be undertaken to determine the net proceeds of a sale. Once determined, the non-defaulting co-owner may purchase the defaulting co-owner's share of the property at the determined price. Where a co-owner is required to follow the pre-emptive rights process in respect of a dealing, the price at which the interest may be acquired is the price and on the terms nominated by the co-owner wishing to deal in the asset.	*Implementation of the Proposal* Nil. As stated in the terms of the Proposal, the acquisition of the IOF Units by the Bidder is to occur on the Implementation Date before delisting of IOF. As a result, no default is expected to occur because of the implementation of the Proposal. *Change of responsible entity at IOF level* The change of responsible entity will result in the units in George Street Sydney Trust being transferred to the incoming responsible entity which may be a prohibited disposal giving the co-owner a default right to purchase IOF's share of the property as described in the document summary column. *Change of trustee at the sub-trust level* DEXUS RE intends to change the sub-trustee of the George Street Sydney Trust A change of the sub-trustee of the George Street Sydney Trust is not a prohibited disposal. However, without consent, the registration of the George Street property in the name of the new trustee at the request of the old trustee will be a dealing in the property which would require a pre-emptive right process to be followed – enabling the other co-owner to purchase the IOF interest in the George Street property at the price and on the terms at which the old trustee otherwise wishes to deal in the interest. DEXUS RE intends to seek the consent of the co-owner before transferring the property to the new sub-trustee.

c. Strategy

The DEXUS strategy is outlined in Section 8.3 of this Explanatory Memorandum. Upon successful implementation of the Proposal, DEXUS RE intends to operate the IOF assets in-line with DEXUS's existing strategy (see Section 8.3 of this Explanatory Memorandum), with the objective of delivering superior risk-adjusted returns for investors.

To implement a strategy to deliver superior risk-adjusted returns, DEXUS RE intends to undertake a detailed review of IOF's portfolio and where possible implement initiatives believed to have the potential to generate improved returns from the IOF portfolio. In conducting its review, DEXUS RE will consider:

> operational changes for the IOF portfolio;

> development and re-positioning opportunities for IOF; and

> other actions that it can take to maximise the value of the existing IOF or existing DEXUS assets, such as those described below.

IOF employees

IOF does not directly employ any staff. DEXUS RE has identified the additional staffing requirements that it believes are necessary to continue the operations of IOF as a controlled entity of DEXUS. Recruitment of any additional personnel that DEXUS RE requires as a result of the implementation of the Proposal will be conducted in line with existing DEXUS People and Culture policies and procedures at that time.

Property portfolio

At the time of implementation of the Proposal, the IOF property portfolio will be merged into the DEXUS portfolio. The Merged Group property portfolio will be kept under ongoing review in accordance with DEXUS RE's customary portfolio management policies.

DEXUS RE currently has no intention to dispose of any of the Merged Group properties or to make any material changes to any construction or capital works programs affecting those properties. If DEXUS RE were to make a decision to do any of these things, it would update the market accordingly at the appropriate time.

While DEXUS RE currently has no intention to dispose of any of the Merged Group properties, a disposal could occur as a result of a counterparty exercising a right to acquire the relevant property (or property interest). See Section 9.2(b) of this Explanatory Memorandum for more details.

d. Limitations on intentions

The intentions and statements of future conduct set out in this Section 9.2 of this Explanatory Memorandum are necessarily subject to applicable laws (including the Corporations Act) and the Listing Rules at the time the intentions are to be given effect to.

9.3 Funding arrangements

a. Funding commitments

The following funding commitments may arise for DEXUS and the Merged Group (as applicable) if the Proposal proceeds to become effective and be implemented:

> the Cash Component of the Proposal Consideration – see Section 5.3 of this Explanatory Memorandum for further details;

> the IOF Debt Facilities and ISDAs – see Sections 9.3 and 9.4 of this Explanatory Memorandum for further details;

> the Scrip Component of the Proposal Consideration – see Section 5.3 of this Explanatory Memorandum for further details; and

> it is expected that a number of other associated transaction costs will be incurred in connection with the Proposal.

b. Sources of cash funding

Loan Facility Agreements

DEXUS RE (or, where applicable, the Merged Group) can fund the:

> Cash Component of the Proposal Consideration; and

> associated transaction costs,

through, amongst other things, loan facilities under loan facility agreements (**Loan Facility Agreements**) that DEXUS has entered into with Commonwealth Bank of Australia, Westpac Banking Corporation and Sumitomo Mitsui Banking Corporation, Sydney Branch (each a **Bank**).

These Loan Facility Agreements are substantially consistent with the terms of DEXUS's common terms deed poll and loan facility agreements which were in place prior to entry into these new agreements.

The conditions precedent to the new Loan Facility Agreements are usual for facilities of this nature and include:

- procedural and mechanical conditions precedent (such as verification certificates, legal opinions, corporate authorisations and required know your client and anti-money laundering deliverables);
- delivery of information in relation to the Proposal;
- payment of all fees and expenses then payable in connection with the Loan Facility Agreements; and
- the absence of the following in relation to DEXUS RE or another DEXUS entity that acts as a guarantor:
  - limited specific misrepresentations (including status, power, documents binding, ranking of debt and status of trusts comprising DEXUS);
  - limited specified breaches of undertaking (including ranking of debt, negative pledge, disposals, restrictions on distributions and provision of financial accommodation);
  - limited specified events of default (including insolvency, failure to pay, voidability of documentation, enforcement against assets, status of trusts comprising DEXUS and change in control/delisting of the DEXUS Securities); and
  - a material adverse effect in respect of the Bank's rights and remedies under, DEXUS's ability to meet payment and material obligations under, or the validity and enforceability of, the Loan Facility Agreements and ancillary documents.

In addition, the conditions precedent for these loan facilities include the implementation of the Proposal contemporaneously with utilisation of the loan facilities.

IOF Debt Facilities

Although the Proposal is not conditional on the consent of the IOF debt facility providers, ILFML has obtained consents and waivers from the IOF debt facility providers (other than in respect of the USPP Notes and the MTNs) to enable all aspects of the Proposal to be implemented without causing a review event or default to be triggered under the IOF debt facilities. Each of these consents also provides that DEXUS RE may change the responsible entity of IOF and implement the steps referred to in Section 8.2 of this Explanatory Memorandum without causing a review event or default to be triggered (**Post Implementation Steps**). The consents provided apply to the ISDAs on the same terms as those provided in relation to the IOF debt facilities.[14]

ILFML on behalf of DEXUS RE for IOF is currently seeking consents to the Proposal and the Post Implementation Steps or consents to amendments from the holders of USPP Notes and MTNs. If USPP holder or MTN holder consent, waiver or consent to amendment is not received, the Proposal and/or the Post Implementation Steps could trigger a change of control event or an event of default under the USPP or MTN notes which the USPP holder or MTN holders could seek to take action in relation to, including by terminating or accelerating the USPPs or MTNs. A summary of events of default or review events which may arise under the documents in relation to the IOF Debt Facilities as a result of the Proposal and/or the Post Implementation Steps is provided in the table below.

If all of the USPP or MTN holders consents to the Proposal and/or the Post Implementation Steps or consents to the amendments are not received and the relevant USPP holders or MTN holders seek to exercise their rights following an event of default, DEXUS RE is confident that it will be able to fund those arrangements. DEXUS has some headroom under the new Loan Facility Agreements and its existing facilities. Given this, DEXUS is confident that it will be able to:

- fund the Cash Component of the Proposal Consideration;
- refinance the USPP Notes and MTNs; and
- pay the associated transaction costs.

See Section 9.4 of this Explanatory Memorandum for further details.

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[14] The consents and waivers from the IOF debt facility providers require DEXUS to, within 6 months (or as soon as practicable) of implementation of the Proposal, amend the IOF debt facilities to harmonise the terms to be consistent with those within existing DEXUS debt facilities.

Figure 9.10: Overview of affected IOF Debt Facilities arrangements and relevant consequences

Document	Document summary	Impact
Medium term note programme	The MTN programme is a debt programme entered into by ILFML as responsible entity of the AJO Fund and the PCP Trust under which ILFML as responsible entity of the AJO Fund has issued notes. An event of default will arise if: > ILFML ceases to be the responsible entity of IOF and the new responsible entity is not an entity that is owned and controlled by the same entities that own and control ILFML; and/or > financial indebtedness totalling at least A$25 million or its equivalent is declared due and payable before its stated maturity as a result of any event of default or review event. An event of default provides noteholders with a right (but no obligation) to redeem their notes at face value at any time until the maturity date.	*Change of responsible entity at IOF level* DEXUS intends to remove ILFML as the responsible entity of the PCP Trust and the AJO Fund which, on a change, will give rise to an event of default as the new responsible entity will not be an entity that is owned and controlled by the same entities that own and control ILFML. It is intended that consent will be sought from MTN holders to avoid a default being triggered. Response to consent requests is expected before the Implementation Date.
USPP	ILFML as responsible entity of the AJO Fund and as responsible entity of the PCP Trust entered into documentation for the issuance of private placement notes in 2014 and 2013 respectively. Under the terms of the USPP note documentation, consent of greater than 50% of noteholders is required to retire, remove or replace a trustee or responsible entity of an obligor or subsidiary guarantor. In addition, a default is triggered if: 1. ILFML ceases to be the responsible entity of the AJO Fund or the PCP Trust and the new responsible entity of any such Head Trust is not an entity that is owned and controlled by the same entities that own and control ILFML unless consent is provided; or 2. (except where the preceding paragraph (1) applies) any step is taken to appoint a new or additional responsible entity of AJO Fund or the PCP Trust, unless consent is provided; or 3. financial indebtedness totalling at least $25 million or its equivalent is capable of being declared due and payable before its stated maturity as a result of any event of default or review event. Furthermore, a change of control constitutes a review event, which requires the Issuer to make an offer to prepay the Investa USPP Notes at 100% of their principal amount. Notice of offer must be made within 5 business days of the change of control, with payment to be made to tendering holders no less than 30 days and no more than 60 days after such notice.	*Implementation of the Proposal* A change of control constitutes a review event, which requires the issuer to make an offer to prepay the Investa USPP notes at 100% of their principal amount. *Change of responsible entity at IOF level* The change of responsible entity without consent would be an event of default under the USPP note documentation, which would allow a majority of the noteholders to accelerate payment on the private placement notes at 100% of their principal amount, plus accrued and unpaid interest and a make-whole premium. *Change of trustee at the sub-trust level* In regard to a change of sub-trustee, consent of greater than 50% of noteholders is required to retire, remove or replace a trustee or responsible entity of an obligor or subsidiary guarantor. Failure to gain consent may lead to an event of default under the USPP, which would allow a majority of the noteholders to accelerate payment on the private placement notes at 100% of their principal amount, plus accrued and unpaid interest and a make-whole premium. It is intended that consent will be sought from the USPP noteholders to (1) avoid a default being triggered or any review event arising (2) add guarantees by each of the obligors under DEXUS's debt facilities and (3) conform the financial covenants to those that govern the DEXUS USPP notes. If sufficient consents are obtained, such amendment is expected to become operative concurrent with the implementation of the Proposal.

c. Sources of Scrip Component of the Proposal Consideration

As DEXUS RE has received a waiver from Listing Rule 7.1 (see section 14.6 of this Explanatory Memorandum), DEXUS RE has the capacity to issue the maximum number of DEXUS Securities which DEXUS RE may be required to issue as part of the Scrip Component of the Proposal Consideration. DEXUS Securityholder approval is not required to issue any of the DEXUS Securities which DEXUS RE may be required to issue as part of the Proposal Consideration.

d. Confirmation

On the basis of the arrangements described in this Section 9.3, DEXUS RE has no reason to believe that the conditions precedent to the funding arrangements set out in this Section 9.3 will not be satisfied and believes that if it has to meet any funding commitments described in this Section 9.3, it will be able to do so.

9.4 Facility arrangements

Merged Group's facilities at the Implementation Date are expected to be as set out below:

	Currency	Commitment ($m)	Commitment (A$m)[a]	Maturity dates
Bilateral bank debt	A$	100.0	100.0	Jul 16
	A$	400.0[b]	400.0[b]	Jan 17-Jun 17
	A$	250.0	250.0	Jul 17-Dec 17
	A$	475.0	475.0	Jan 18-Jun 18
	A$	200.0	200.0	Jul 18-Dec 18
	A$	375.0	375.0	Jan 19-Jun 19
	A$	266.0	266.0	Jul 19-Dec 19
	A$	200.0	200.0	Jan 20-Jun 20
	A$	100.0	100.0	Jul 22-Dec 22
Commercial Paper	A$	100.0	100.0	Sep 18[c]
Medium term notes[d]	A$	210.0	210.0	Apr 17
	A$	125.0	125.0	Nov 17
	A$	205.0	205.0	Sep 18
	A$	30.0	30.0	Nov 22
	A$	59.5	59.5	Nov 25
US senior notes (144A)	US$	250.0	287.4	Mar 21
US senior notes (USPP)	US$	41.0	39.2	Dec 16-Mar 17
	US$	300.0	290.9	Jul 23-Jul 28
	US$	200.0	225.0	Feb 24-Feb 27
	US$	250.0	285.9	Dec 24-Dec 26
	US$	125.0	128.9	Aug 25
	US$	200.0	229.0	Apr 25-Apr 29
Loan Facility Agreements	A$	1,050.0	1,050.0	Jan 20-Jun 20
Total Merged Group Facilities			**5,631.8**	

a. AUD equivalent shown having been converted using hedged currency rates.

b. Updated for IOF post balance date refinance of $132 million of bilateral bank debt maturing in June 2016 and $150 million of bilateral bank debt maturing in August 2016.

c. Maturity date of commercial paper standby facility.

d. Debt facilities do not include MTNs included in an equity accounted investment: A$96.3 million March 2016, A$74.8 million December 2019, A$11.5 million December 2022.

It is intended the Merged Group will seek to maintain the existing financing arrangements of IOF and DEXUS and that IOF's existing financing arrangements will be harmonised with DEXUS's unsecured debt platform, which will access a diversified range of funding sources, including bilateral bank debt, commercial paper and other debt instruments.

The Merged Group will be operated in line with DEXUS's financial policies (including DEXUS's approach to leverage).

Details of both IOF's and DEXUS's standalone capital management details are set out in Sections 6.5 and 8.10 of this Explanatory Memorandum respectively.

9.5 Distributions

It is expected that post implementation of the Proposal, the Merged Group will maintain DEXUS's current distribution payout policy which is to distribute in line with Free Cash Flow. See Section 8.7 of this Explanatory Memorandum for further details.

9.6 Capital structure

a. DEXUS Securities on issue

If the Proposal is implemented, DEXUS will issue approximately 260.4 million new DEXUS Securities to IOF Unitholders. As a result of the Proposal, the number of DEXUS Securities on issue will increase from approximately 967.9 million (being the number currently on issue) to approximately 1,228.3 million as set out below:[15]

Number of DEXUS Securities on issue	967.9 million
Number of new DEXUS Securities to be issued to IOF Unitholders if Proposal becomes Effective and is implemented	260.4 million
Total number of DEXUS Securities on issue after Proposal is implemented	1,228.3 million

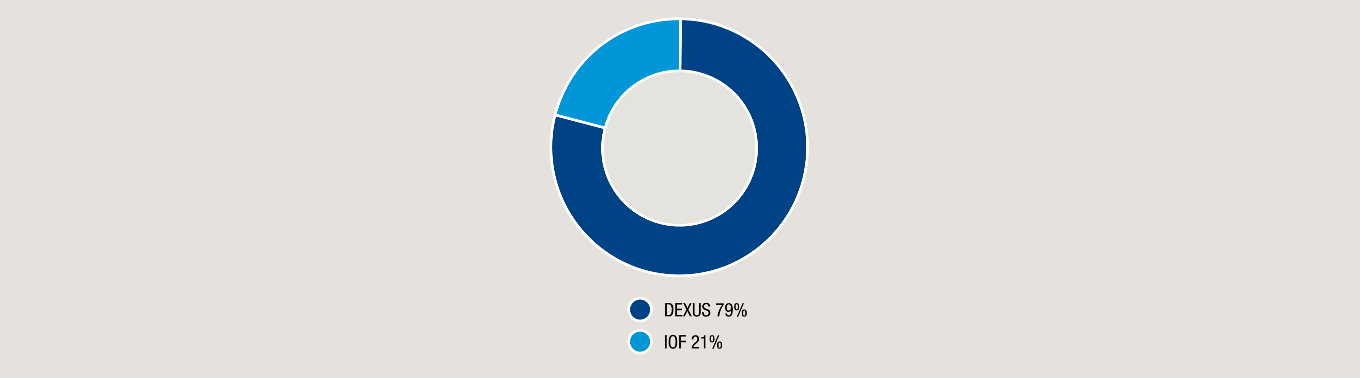
b. Performance rights

On the Implementation Date, the Merged Group will have performance rights on issue. See Section 8.15 of this Explanatory Memorandum for details of the DEXUS performance rights on issue as at the date of this Explanatory Memorandum.

c. Merged Group ownership structure

Based on the exchange ratio for the Scrip Component of the Proposal Consideration, existing IOF Unitholders will own approximately 21.2% of the Merged Group and existing DEXUS Securityholders will own approximately 78.8% of the Merged Group, as shown in the chart below:

Figure 9.11: Merged Group ownership structure



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[15] The exact number of new DEXUS Securities to be issued pursuant to the Proposal (and therefore the number of DEXUS Securities to be on issue after the Implementation Date) cannot be precisely calculated or anticipated due to the effects of rounding.

9.7 Corporate governance, board and management

The corporate governance arrangements, board and management arrangements of DEXUS are outlined in Sections 8.13 and 8.14 of this Explanatory Memorandum. These arrangements will be in place for the Merged Group on the Implementation Date and there are not expected to be any significant changes post implementation of the Proposal.

9.8 Rights attaching to, and ranking of, new DEXUS Securities

The DEXUS Securities to be issued as part of the Scrip Component of the Proposal Consideration will consist of one DDF Unit, one DIT Unit, one DOT Unit and one DXO Unit stapled together and jointly quoted on ASX. Each new DEXUS Security will be issued fully paid and will rank equally for distributions and other rights in all respects with existing DEXUS Securities from the date of issue.

Since the new DEXUS Securities issued as part of the Scrip Component of the Proposal Consideration will be issued credited as fully paid, no monetary liability attaches to them.

The rights and liabilities attaching to DEXUS Securities are determined by the DEXUS Constitutions, applicable law and the Listing Rules. Section 8.16 of this Explanatory Memorandum contains a summary of the rights and liabilities attaching to DEXUS Securities under the DEXUS Constitutions and the Corporations Act. In the absence of any amendment to the DEXUS Constitutions or changes in applicable law or the Listing Rules, these rights and liabilities will attach to DEXUS Securities issued under the Proposal. This is not an exhaustive summary or definitive statement of the rights and liabilities attaching to DEXUS Securities.

IOF Unitholders should seek their own advice when trying to establish their rights in specific circumstances.

Requests for free copies of the DEXUS Constitutions may be made by contacting the DEXUS Infoline on 1800 819 675 (callers in Australia) or +61 1800 819 675 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

New DEXUS Securities form part of the Proposal Consideration. Copies of documents lodged with ASIC in relation to DEXUS (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspect at, an ASIC office.

10

FINANCIAL INFORMATION FOR THE MERGED GROUP

10.1 Overview

The financial information set out in this Section 10 comprises:

- a **Pro Forma Consolidated Statement of Financial Position** of the Merged Group as at 31 December 2015 as described in Section 10.2 of this Explanatory Memorandum;
- a reconciliation of the Pro Forma Consolidated Statement of Financial Position of the Merged Group to Pro Forma Statutory Net Assets as described in Section 10.2(c) of this Explanatory Memorandum;
- a **Pro Forma Consolidated Forecast of Underlying Funds from Operations** for the Merged Group for the year ending 30 June 2016 as described in Section 10.3 of this Explanatory Memorandum; and
- a reconciliation of the Pro Forma Underlying FFO to pro forma statutory net profit as described in Section 10.3(g) of this Explanatory Memorandum.

The Pro Forma Consolidated Statement of Financial Position and the Pro Forma Consolidated Forecast of Underlying Funds from Operations are together the **Pro Forma Financial Information**.

The merger will be accounted for as a Business Combination in accordance with AAS. On acquisition the assets and liabilities of IOF will be fair valued and consolidated with DEXUS. The fair value of the Proposal Consideration will be determined based on the closing value of DEXUS Securities on the Implementation Date. The excess of the fair value of the Proposal Consideration over the fair value of net assets acquired will be recorded as goodwill and tested annually for impairment. If the fair value of the Proposal Consideration is less than the fair value of net assets acquired, the difference will be recorded as a profit on acquisition of a subsidiary in accordance with AAS.

The Pro Forma Financial Information contained in this Section 10 has been prepared in accordance with the recognition and measurement principles of AAS and the accounting policies detailed in Section 10.6 of this Explanatory Memorandum, except for the following items:

- fair value adjustments to investment properties, derivatives and interest bearing liabilities;
- incentive amortisation and straight-lining to rental revenue; and
- non-cash income tax expense.

These items have not been included in the Pro Forma Consolidated Forecast of Underlying Funds from Operations as there is no impact on Underlying FFO. Calculation of the pro forma statutory net profit is described in Section 10.3(g) of this Explanatory Memorandum.

The fair value of investment properties, derivatives and interest bearing liabilities as at the Implementation Date have not been included in the Pro Forma Consolidated Statement of Financial Position as management are unable to accurately forecast the fair value of these items as at that date. The pro forma statement of financial position therefore consolidates the net assets of IOF and DEXUS as recorded in their respective interim financial reports as at 31 December 2015 along with pro forma Proposal impact adjustments. For IOF, this includes investment properties and derivatives recorded at fair value and interest bearing liabilities at amortised cost. Section 10.2(a) of this Explanatory Memorandum states the detailed basis of preparation.

The calculation of the Pro Forma Statutory Net Assets is described in Section 10.2(c) of this Explanatory Memorandum.

As noted in Section 12.9 of this Explanatory Memorandum, should the Proposal be approved and implemented, IOF Unitholders will become DEXUS Securityholders, and in due course receive a DEXUS financial report for the year ending 30 June 2016.

The accounting policies adopted for the purposes of the standalone financial information for IOF and DEXUS are based on each group's current accounting policies as outlined in their respective financial statements for the year ended 30 June 2015. As such, the pro forma position of the Merged Group excludes the impact of any alignments deemed necessary post-implementation. The key accounting policies are described in more detail in Section 10.6 of this Explanatory Memorandum.

The financial information is presented in an abbreviated form insofar as it does not include all of the presentation disclosures, statements or comparative information as required by the AAS applicable to annual general purpose financial reports prepared in accordance with the Corporations Act.

The ILFML Board and DEXUS RE Board appointed PwCS as the Investigating Accountant to prepare an Investigating Accountant's Report in relation to the financial impact of the Proposal. A copy of the Investigating Accountant's Report is contained in Attachment 3.

Each of DEXUS and IOF have given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information for the Merged Group in addition to the guidance given in this Section 10. Each of the DEXUS RE Directors and the Independent Directors have separately concluded that forecast financial information in addition to that detailed in Section 10.3 would be misleading to provide, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable Australian law, policy and market practice. The financial performance of the Merged Group will be influenced by a variety of factors that will be outside of the control of the directors of the Merged Group (expected to be DEXUS RE Directors) and DEXUS RE and that cannot, at this time, be predicted with a high level of confidence.

Information provided in this Section 10 should be read in conjunction with the risk factors outlined in Section 11 of this Explanatory Memorandum and all other information set out in this Explanatory Memorandum.

10.2 Pro Forma Consolidated Statement of Financial Position

a. Basis of preparation

This Section 10.2(b) sets out a Pro Forma Consolidated Statement of Financial Position as at 31 December 2015 assuming that the Proposal had been implemented and comprises:

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

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

> **Proposal impacts** – the impacts arising from implementing the Proposal.

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

	IOF $m	DEXUS $m	Proposal Impact $m	Merged Group $m
Cash and cash equivalents	6	26		32
Receivables	17	72		89
Non-current assets classified as held for sale	71	–		71
Inventories	–	38		38
Derivative financial instruments	–	23		23
Other	–	27		27
Total current assets	94	186	–	279
Trade and other receivables	174	–		174
Investment properties	2,649	6,776		9,424
Plant and equipment	–	14		14
Inventories	–	226		226
Investments accounted for using the equity method	606	3,198		3,804
Derivative financial instruments	118	412		530
Deferred tax assets	–	6		6
Intangible assets	–	303	106	409
Other	–	4		4
Total non-current assets	3,546	10,939	106	14,591
Total assets	**3,640**	**11,124**	**106**	**14,870**
Payables	32	117		149
Current tax liabilities	–	27		27
Interest bearing liabilities	271	76	–	347
Provisions	60	256		317
Derivative financial instruments	1	8		9
Total current liabilities	364	485	–	849
Interest bearing liabilities	823	3,197	598	4,618
Derivative financial instruments	9	92		101
Deferred tax liabilities	–	20		20
Provisions	–	2		2
Other	–	3		3
Total non-current liabilities	833	3,315	598	4,745
Total liabilities	**1,197**	**3,799**	**598**	**5,594**
Net assets	**2,444**	**7,325**	**(492)**	**9,276**
Total equity	2,444	7,325	(492)	9,276
Closing number of securities on issue (m)	614.0	967.9	260.4	1,228.3
NTA per security ($)	3.98	7.25		7.22
Look-through gearing	28.5%[a]	29.5%[b]		33.5%[c]

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

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

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

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

1. **Intangible assets** – reflects the excess of the fair value of the Proposal Consideration to acquire IOF over the fair value of the IOF net assets acquired. The pro forma Proposal impact assumes a DEXUS Security price of $7.85 per security, based on the closing price on 3 March 2016 (being the last practicable trading day before the date of this Explanatory Memorandum).

   If the Proposal becomes Effective and is implemented, the DEXUS Security price as at the Implementation Date will be used to calculate the fair value of the Proposal Consideration. If the DEXUS Security price is $7.76 per security, which is equivalent to the DEXUS Reference Price, goodwill would be $82 million and net assets $9,252 million as at 31 December 2015 and assuming all other variables remain constant. Goodwill will be tested for impairment at 30 June 2016 and annually thereafter and impaired where the value cannot be supported.

2. **Interest bearing liabilities** – reflects the additional net debt as a result of:
   - additional debt drawn to fund cash consideration paid to IOF Unitholders of $505 million;
   - additional debt drawn to fund assumed one-off transaction costs of $94 million, which comprises: stamp duty, advisory, debt restructuring and other implementation costs; and
   - non-cash adjustments of ($1) million relating to deferred borrowing costs.

3. **Total equity and securities on issue** – reflects:
   - each IOF Unit being exchanged for 0.4240 new DEXUS Securities at the DEXUS Security price of $7.85 per security, based on the closing price on 3 March 2016 (being the last practicable trading day before the date of this Explanatory Memorandum); and
   - transaction costs written off through profit or loss.

   If the Proposal becomes Effective and is implemented, the DEXUS Security price as at the Implementation Date will be used to calculate the fair value of the equity exchanged. If the DEXUS Security price is $7.76 per security, which is equivalent to the DEXUS Reference Price, Total Equity would be $9,252 million.

c. Reconciliation of Pro Forma Consolidated Statement of Financial Position as at 31 December 2015 to Pro Forma Statutory Net Assets

A summary of the reconciliation of the Merged Group's Pro Forma Consolidated Statement of Financial Position as at 31 December 2015 and the Merged Group's Pro Forma Statutory Net Assets is set out below.

In accordance with AAS, the net assets of IOF will be fair valued on acquisition. The Pro Forma Consolidated Statement of Financial Position for the Merged Group includes the net assets of IOF extracted from IOF's interim financial report as at 31 December 2015. The interim financial report records assets and liabilities in accordance with AAS and the IOF accounting policies outlined in the financial statements for the year ended 30 June 2015.

Investment properties and derivatives in IOF's interim financial report are recorded at fair value as at 31 December 2015. Interest bearing liabilities are recorded at amortised cost. The table below includes an adjustment for the fair value of IOF's interest bearing liabilities to reconcile to the Pro Forma Statutory Net Assets (calculated in accordance with AAS) as at 31 December 2015 for the Merged Group.

1. Basis of preparation

This Section 10.2(c) sets out the reconciliation of the Pro Forma Consolidated Statement of Financial Position as at 31 December 2015 to Pro Forma Statutory Net Assets assuming that the Proposal had been implemented and comprises:

> The Pro Forma Consolidated Statement of Financial Position as at 31 December 2015 of the Merged Group as calculated in Section 10.2(b);

> Management's best estimate of the fair value of IOF's interest bearing liabilities at 31 December 2015.

	$m
Net Assets as at 31 December 2015	9,276
Fair value of IOF interest bearing liabilities	(31)
Pro forma statutory net assets	9,245

The pro forma statutory net assets for the Merged Group includes the fair value of IOF's investment properties, derivatives and interest bearing liabilities. The pro forma statutory net assets do not include the impact of any further fair value adjustments to the IOF net assets.

10.3 Pro Forma Consolidated Forecast of Underlying Funds from Operations

a. Basis of preparation

This Section 10.3 sets out the Pro Forma Consolidated Forecast of Underlying Funds from Operations for the Merged Group assuming the Proposal had been implemented on 1 July 2015 and comprises:

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

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

b. Pro Forma Consolidated Forecast of Underlying Funds from Operations

	IOF	DEXUS	Proposal Impact	Merged Group
	FY16 Guidance $m	FY16 Guidance (upper end) $m	$m	Pro-Forma $m
FFO	174	611	(12)	773
Less: Trading Profits (net of tax)	–	(63)	–	(63)
Underlying FFO	**174**	**547**	**(12)**	**710**
Weighted Average Number of Securities (million)	614	969	260	1,229
Underlying FFO (cents per security)	**28.4**	**56.5**	**–**	**57.8**

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

- **Borrowing costs** – incremental borrowing costs of $22 million per annum associated with debt funding for the Cash Component of the Proposal Consideration of $505 million and transaction costs of $94 million. This reflects a weighted average cost of debt of 3.75%.
- **Cost synergies** – the Proposal is expected to result in $11 million per annum of net operational cost savings. While the Pro Forma Consolidated Forecast assumes that cost synergies are in effect in full on the Implementation Date, the timing may differ. These cost synergies represent a combination of the following:
  - elimination of existing IOF operating expenses of $15 million, including responsible entity fees paid to ILFML and other operating expenses; and
  - incremental DEXUS operating costs of $4 million per annum comprising corporate overheads associated with the Proposal.

c. IOF's best estimate assumptions

- Rental income has been forecast on a property-by-property basis based on existing leases and assumptions for occupancy rates, tenant retention, incentives and market rentals. These are broadly consistent with assumptions adopted for independent valuation purposes.
- Direct property expenses have been forecast on a property-by-property basis based on current outgoings expectations.
- IOF's current standalone debt for FY16 will be drawn at average gross interest rates (including the impact of derivatives) of approximately 4.0% based upon IOF's financing facilities and IOF's expectation of interest rates for FY16.

d. DEXUS's best estimate assumptions

- The forecast net operating income is based on circa 1% like for like income growth across DEXUS's office portfolio and circa 7% decline in like for like income across DEXUS's industrial portfolio. Rental income has been forecast on a property-by-property basis based on existing leases and assumptions for occupancy rates, tenant retention, incentives and market rentals. These are broadly consistent with assumptions adopted for independent valuation purposes. Direct property expenses have been forecast on a property-by-property basis based on current outgoings expectations.
- Management operations FFO of circa $45 million (including third party development management fees) has been forecast from existing management contracts in relation to investment vehicles and property assets managed by DEXUS, while management operations costs have been forecast from existing employee arrangements and service contracts for suppliers.
- Corporate overheads have been forecast from existing employee arrangements and existing service contracts for suppliers.
- Trading Profits of $63 million (net of tax) have been forecast for the year ending 30 June 2016. These profits were realised in the six months ended 31 December 2015 and it is assumed that no further Trading Profits are realised in the six months to 30 June 2016.
- DEXUS's current standalone debt for the year ending 30 June 2016 will be drawn at a weighted average cost of debt of approximately 4.9% based upon DEXUS's financing facilities and expectation of interest rates for FY16.
- No buy-back of DEXUS Securities.

e. General assumptions

- No further property acquisitions or divestments in the forecast period.
- No termination of debt facilities or derivatives contracts.
- No material contract disputes or litigation in the forecast period.
- No material change in the competitive operating environment.
- No material changes to accounting policies or the Corporations Act in the forecast period.
- No material changes in Australian tax legislation.
- No significant change to legislative or regulatory environment.
- All existing leases are enforceable and perform in accordance with their terms.

f. Alignment of Underlying Funds from Operations

IOF's and DEXUS's standalone Underlying Funds from Operations positions are presented on the basis of each group's current accounting policies. As such, the Pro Forma Consolidated Forecast of Funds from Operations excludes the impact of any alignments deemed necessary post-implementation of the Proposal. Any such alignments are not expected to be material to the Merged Group.

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

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

1. Basis of preparation

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

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

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

IOF and DEXUS's best estimate assumptions and general assumptions outlined in Sections 10.3(c), 10.3(d) and 10.3(e) of this Explanatory Memorandum have been assumed in calculating the pro forma statutory net profit.

	Merged Group $m
Underlying FFO	710
Adjustment to exclude IOF FFO prior to the Implementation Date	(146)
Adjustment to reflect cost synergies and incremental borrowing costs from the Implementation Date	9
One-off transaction costs	(94)
Non-cash transaction adjustments to deferred borrowing costs	1
Trading Profits (net of tax)	63
Net fair value gain of investment properties	534
Net fair value loss of derivatives and interest bearing liabilities	(10)
Incentive amortisation and rent straight-line	(46)
Other[a]	(4)
Pro forma statutory net profit	1,017

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

10.4 Distribution policy

DEXUS's distribution policy is to payout in line with Free Cash Flow. In prior periods the payout ratio equated to 69% of FFO for the years ended 30 June 2015 and 30 June 2014, and the six months ended 31 December 2015.

The Proposal is expected to be implemented prior to record date for DEXUS distribution purposes. In these circumstances, Proposal Participants will be entitled to receive the full DEXUS distribution for the second half of the year ending 30 June 2016.

10.5 Sensitivity Analysis

The Pro Forma Consolidated Statement of Financial Position and Pro Forma Consolidated Forecast of Underlying Funds from Operations are based on certain economic and business assumptions about future events that are subject to business, economic and competitive uncertainties and contingencies which may be beyond the control of the Merged Group.

Caution should be taken when interpreting the sensitivities. The changes in key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be expected. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables. In practice, changes in variables may offset each other.

a. Pro Forma Consolidated Statement of Financial Position sensitivities

The Pro Forma Consolidated Statement of Financial Position is sensitive to a number of key assumptions, in particular:

> assumed total transaction costs of $94 million incurred;

> the DEXUS Security price on the date of acquisition upon which the goodwill calculation is based; and

> the fair value of IOF's investment property and interest bearing liabilities on the date of acquisition.

Below is a summary of the impact on the Merged Group's Pro Forma Consolidated Statement of Financial Position to variations in these assumptions.

	Net tangible asset per security	Net assets $m	Look-Through Gearing
Pro forma metrics presented in Section 10.2	$7.22	9,276	33.5%
Incremental impact of change in assumptions			
Change in transaction costs by +/- 20%	+/- $0.02	+/- 19	+/- 0.1%
Change in DEXUS Security price by +/- 5%	No change	+/- 102	No change
Non-cash fair value adjustment to IOF interest bearing liabilities by +/- $25 million	+/- $0.02	No change	No change
Fair value of IOF investment property by +/- $50 million	+/- $0.04	No change	+/- 0.1%

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

The Pro Forma Consolidated Forecast of Underlying Funds from Operations is sensitive to a number of key assumptions, in particular the total cost savings achieved and the weighted average cost of debt arising as a result of the acquisition.

Below is a summary of the impact on the Merged Group's Pro Forma Consolidated Forecast of Underlying Funds from Operations to variations in these assumptions.

	Underlying FFO $m	Underlying FFO (cents per Security)
Pro forma metrics presented in Section 10.3(b)	710	57.8
Incremental impact of change in assumptions		
Change in cost synergies by +/- 20%	+/-2	+/-0.2
Change in weighted average cost of incremental borrowings by +/- 25 basis points	+/-1	+/-0.1

c. Pre-emptive right and/or default sensitivities

If consent is not obtained from the relevant counterparties in relation to implementation of the Proposal and change of ILFML as the responsible entity of IOF to DXFM, the co-owner of the following properties may be able to exercise pre-emptive and/or default rights and ultimately acquire IOF's interest in the following properties at fair market value:

> 10-20 Bond Street

> 388 George Street

There can be no certainty on the outcome of the pre-emptive rights as they are outside of the control of the Merged Group. Below is a summary of the impact on the Merged Group's property metrics, pro-forma look-through gearing and Pro-Forma Consolidated Forecast of Underlying FFO if these pre-emptive and/or default rights were exercised.

	Assumed no sales	Sale of 10-20 Bond Street, Sydney	Sale of 388 George Street, Sydney
Assets under management ($bn)	24.6	24.3	24.3
Office asset book value ($bn)	12.3	12.1	12.1
Office portfolio weighted average cap rate	6.31%	6.32%	6.31%
Pro Forma Consolidated Statement of Financial Position metrics			
Look-through Gearing	33.5%	32.4%	32.5%
Pro-Forma Consolidated Forecast of Underlying FFO			
Underlying FFO ($m)	710	705	703
Underlying FFO per security (cents)	57.8	57.3	57.2

In addition, change of control rights exist in relation to change of sub-trustee for the Toorak Rd Co-owner Agreement and Castlereagh St Co-owner Agreement that are not expected to be triggered under the Proposal.

10.6 Key accounting policies

The accounting policies used to prepare the financial information are based on the current accounting policies of DEXUS and IOF, as outlined in their respective annual financial reports for the year ended 30 June 2015.

The significant accounting policies that have been adopted for the Merged Group are outlined below. As noted in Section 10.3(g) of this Explanatory Memorandum, certain accounting adjustments have not been made to the Pro Forma Consolidated Forecast of Underlying Funds from Operations.

a. Rental income

Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses.

Prospective tenants may be offered incentives as an inducement to enter into operating leases. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs. The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

b. Investment properties

The Merged Group's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value in the Merged Group's financial statements.

The basis of valuations of investment properties is fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Changes in fair values are recorded in the Merged Group's Statement of Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Merged Group's Statement of Comprehensive Income in the year of disposal.

Subsequent redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property.

Leasing fees incurred and incentives provided are capitalised and amortised over the lease periods to which they relate.

c. Inventories

Inventories are held at the lower of cost or net realisable value (NRV). NRV is determined using the estimated selling price in the ordinary course of business less estimated costs to bring inventories to their finished condition, including marketing and selling expenses. NRV is based on the most reliable evidence available at the time and the amount the inventories are expected to be realised. These key assumptions are reviewed annually or more frequently if indicators of impairment exist.

d. Derivative financial instruments

The fair value of derivative financial instruments is determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates and currency basis) and applying a credit or debit valuation adjustment based on the current credit worthiness of counterparties and the respective standalone entities.

e. Intangible assets

1. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Merged Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. The carrying value of the goodwill is tested for impairment annually, or where an indication of impairment exists with any decrement in value taken to the Statement of Comprehensive Income as an expense.

2. Management rights

Management rights represent the asset management rights owned by the Merged Group which entitle it to management fee revenue from both finite and indefinite life trusts. Those rights that are deemed to have a finite useful life are measured at cost and amortised using the straight-line method over their estimated remaining useful lives. Management rights with indefinite useful lives are not subject to amortisation and are tested for impairment annually.

f. Borrowings

Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in profit or loss over the expected life of the borrowings.

If there is an effective fair value hedge of borrowings, a fair value adjustment will be applied based on the mark to market movement in the benchmark component of the borrowings. This movement is recognised in the profit or loss.

All borrowings with contractual maturities greater than 12 months after reporting date are classified as noncurrent liabilities.

g. Borrowing costs

Borrowing costs include interest, amortisation or ancillary costs incurred in connection with arrangement of borrowings and net fair value movements of interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

Qualifying assets include investment properties and inventories which take more than 12 months to develop for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset during the period of time that is required to complete and develop the asset for its intended use or sale. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets must be determined by using a weighted average capitalisation rate.

h. Expenses

Expenses are brought to account on an accruals basis and, if not paid at the end of the reporting period, are reflected in the Merged Group's Statement of Financial Position as payable.

Property expenditure includes rates, taxes and other property outgoings incurred in relation to investment properties.

11

RISK FACTORS

11.1 Overview of risks

There are a range of factors (which are both specific to the Merged Group and of a general nature) which may, either individually or in combination, affect the future operating performance, financial position, regulation, legal position, implementation of strategy or reputation of the Merged Group. This Section 11 explains these potential risks.

A significant number of these risks are, or will be, risks that IOF is already exposed to whether or not the Proposal is implemented. However, as the nature of the Merged Group's business will change from that of the standalone business of IOF, IOF Unitholders will potentially be exposed to additional risks in respect of the Merged Group. Many of the circumstances giving rise to these risks are beyond the control of the Merged Group, its directors and management.

In considering the Proposal, you should also be aware of the risk factors, both general and specific, associated with the Proposal.

This Section 11 outlines:

> specific risk factors that arise from the Proposal;
> specific risk factors relating to the Merged Group;
> specific risk factors relating to DEXUS Securities; and
> other general risks of the Merged Group.

The risks summarised below and the information set out in this Section 11 should be considered in conjunction with other information contained in this Explanatory Memorandum and are:

> a summary only and should not be considered exhaustive. This Section 11 does not purport to list every risk that may be associated with an investment in the Merged Group now or in the future, and the occurrence or consequences of some of the risks described in this Section 11 may be partially or completely outside the control of ILFML and DEXUS RE; and
> considered general and have been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any IOF Unitholder or any other person.

You should carefully consider the risk factors discussed in this Section 11, as well as other information contained in this Explanatory Memorandum, before voting on the Proposal.

11.2 Specific risk factors that arise from the Proposal

a. Due diligence

Before entering into the Implementation Agreement and under the terms of the Process Deed, DEXUS conducted due diligence on IOF and its assets in accordance with the terms of the Process Deed. There is a risk DEXUS may not have conducted due diligence on all material information and that any assumptions made during the due diligence period may prove to be false or incorrect.

Furthermore, after implementation of the Proposal, the Merged Group will be subject to any unknown liabilities of IOF which may have an adverse effect on the Merged Group's performance and financial condition.

b. Assumptions by DEXUS RE

DEXUS RE has made certain assumptions in estimating the Merged Group's FFO for the year ending 30 June 2016. This includes assumptions in relation to DEXUS's FFO per security guidance and IOF's FFO per IOF Unit guidance for the year ending 30 June 2016, as well as pro forma adjustments as a result of the acquisition of IOF. There is a risk that theassumptions may not be accurate and the Merged Group's FFO per security for the year ending 30 June 2016 may be higher or lower than estimated.

c. Proposal Consideration

Under the Proposal, IOF Unitholders may elect to receive one of three alternatives being Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration. The Maximum Cash Consideration and Maximum Scrip Consideration alternatives are both subject to scale-back and therefore there is a risk that some or all Proposal Participants may not receive their preferred form of consideration. Further, Proposal Participants will not know how many (if any) DEXUS Securities they will receive when they make an Election. See Section 5.3 of this Explanatory Memorandum for further details.

d. Value of Scrip Consideration is not certain

Proposal Participants will be offered new DEXUS Securities as consideration under the Proposal. In addition, the Sale Agent will be issued new DEXUS Securities attributable to Ineligible Overseas Unitholders and Electing Minimum Holders who elect, or are deemed to have elected to receive new DEXUS Securities and will be seeking to sell those securities on ASX as soon as reasonably practicable.

The value of the consideration for these Proposal Participants will fluctuate and may significantly vary from the market value of DEXUS Securities on the date of this Explanatory Memorandum or the Meeting.

There is no guarantee regarding the market price that will be realised by the Sale Agent or the future market price of new DEXUS Securities. Future market prices may be either above or below current or historical market prices.

e. Court delays

There is a risk that some or all of the aspects of the court judicial advice process required for the Proposal to be implemented may be delayed by any requests by the Court, the nature of the Court's orders (for example the Court requires certain steps to be taken) or the timing for provision of the orders.

Receipt of judicial advice is a condition precedent of the Proposal under the Implementation Agreement. In the event of any delay in the judicial advice from the Second Judicial Advice hearing, the Proposal would not be able to proceed to implementation unless both ILFML and DEXUS RE agreed to waive this Condition Precedent. If the judicial advice was not received and the condition precedent was not waived by both parties by 30 June 2016, the Implementation Agreement would terminate and the Proposal would not proceed unless the parties agreed to extend the end date.

11.3 Specific risk factors relating to the Merged Group

a. Counterparty change of control risk (including pre-emptive and/or default rights)

IOF Group Members are parties to agreements and other arrangements that contain pre-emptive and/or default rights which could arise in favour of the relevant counterparty in relation to the implementation of the Proposal, removal of the responsible entity at the IOF level or removal of a trustee at the sub-trust level (as applicable). If these events occur, should the relevant counterparty exercise their rights, the consequences as described in Section 9.2 of this Explanatory Memorandum may occur, unless consent is obtained from the relevant counterparty. For example, on a change of responsible entity the co-owner of the 388 George Street, Sydney property may require IOF's interest in the property to be disposed of to them at an independently determined valuation.

Under the Implementation Agreement, ILFML is required to use reasonable endeavours to provide assistance that is reasonably requested by DEXUS RE in connection with obtaining such consents that DEXUS RE, acting reasonably, consider are necessary.

In the absence of the remaining relevant counterparty consent or appropriate waivers, the Independent Directors are advised that DEXUS RE believes that the consequences may be mitigated by the following:

> in the event that pre-emptive and/or rights are triggered in relation to certain property assets, the pre-emptive and/or defaults rights processes allow for the sale of the assets in accordance with prices determined by independent valuations. This means that DEXUS should be able to realise the fair value of its share of the relevant asset in these circumstances – see Section 9.2(b) for further information; and

> DEXUS has secured sufficient finance arrangements to repay any MTN holders or USPP holders that could be subject to a review event or default, however, the costs of any such refinancing, which in certain circumstances requires the payment of both principal and make-whole premiums, would increase the overall costs of implementing the Proposal – see Section 9.3 for further information.

Should a disposal of an IOF co-owned property occur by ILFML from the Implementation Date up to 30 June 2016 as a result of the exercise of a pre-emptive and/or default right by a co-owner, this may give rise to a CGT liability. A CGT liability may arise if there is a capital gain as a result of the disposal, which is, broadly, the difference between the disposal price and the acquisition price (with adjustments for certain expenses). Any capital gain may be reduced by capital losses arising in the same year or carried forward from previous years.

If there are any net capital gains from the Implementation Date up to 30 June 2016, the ILFML Undertaking (see Section 13 of this Explanatory Memorandum) provides that the responsible entity of IOF will ensure that the distribution for the period ending 30 June 2016 will include an amount equal to any net capital gains, which may include any capital gains that have arisen from the sale of those assets during the distribution period.

The impact of receiving capital gains in the 30 June 2016 distribution on the DEXUS Securities attributable to the sale of IOF properties cannot be quantified by DEXUS. See Section 13 of this Explanatory Memorandum for further information.

b. Integration risks

The long term success of the Merged Group will depend, amongst other things, on the success of management in integrating the respective businesses. There is a risk that implementation of the Proposal may not result in the full realisation of cost savings due to various factors including:

> the integration of information systems and transition of data, technical, financial and legal information and resources may not proceed smoothly and may divert management's attention from managing the Merged Group's business;

> the systems relating to the property management of the IOF properties may differ from those used by DEXUS. The use of different systems may affect the level of synergies that may be achieved. It may not be practical to migrate the systems used to support the IOF property portfolios onto the DEXUS platform because the systems are operated by external property managers under the property management agreements, which unless agreement is reached with the property managers, will generally be in place over an approximately three year period, with the last one terminating on 31 December 2019;

> asset specific knowledge may not be transitioned efficiently and effectively, resulting in disruption to the business of the Merged Group;

> the loss of key personnel of ILFML, as IOF does not directly employ any staff. DEXUS personnel or new hires will not have the same familiarity with IOF and its assets, however the Independent Directors are advised that DEXUS believes that its current staff with limited new hires will have the ability to manage integration and the IOF assets effectively. DEXUS RE's intentions regarding employment arrangements are set out in Section 9.2(c) of this Explanatory Memorandum;

> tenants in the IOF portfolio with upcoming lease expiries may want to continue to be managed over the long term by IOM through the Investa Office Management Platform and therefore seek to occupy alternative premises. DEXUS is an experienced owner and manager of office properties and will seek to engage with tenants post-implementation of the Proposal to reassure them of DEXUS's capabilities as the owner and manager of properties in the Merged Group portfolio; and

> the payment of various fees for a period of time post implementation of the Proposal. The Merged Group will be required to pay responsible entity fees until ILFML is removed by DEXUS RE and the constitutions of AJO Fund and PCP Trust are amended to reduce the respective responsible entity fees to nil in recognition that the trusts will no longer be externally managed, as set out in Section 9.2 of this Explanatory Memorandum. In addition, the Merged Group will be required to pay fees under the Property Management Arrangements in relation to various IOF properties until those agreements are discontinued or expire. Further details are set out in Section 9.2 of this Explanatory Memorandum.

As a result, revenue streams or operations could be disrupted, anticipated synergies, efficiencies and benefits may only be achieved in part or not at all or after a delay, and costs associated with the transition may be greater than expected, which could adversely affect the Merged Group's financial position and performance and the future prospects of the Merged Group. See Section 10.3(b) of this Explanatory Memorandum for further details on the cost savings.

The Independent Directors are advised that DEXUS RE believes that these integration risks are mitigated by, among other things, DEXUS's experience in comparable transactions (eg the CPA Offer), its extensive property management platform and assets under management and the dedicated team established to attend to handover arrangements. For further details regarding the integration risks of the Proposal, see the Independent Expert's Report included in Attachment 2 of this Explanatory Memorandum.

c. Acquisition and business opportunities

Although DEXUS is undertaking due diligence on a number of potential acquisition opportunities both on its own account and with joint venture parties, it is possible that these may not occur or if they do occur, that DEXUS does not uncover issues that may later have an adverse impact on the Merged Group. Risks of the acquisitions which may adversely affect the Merged Group's future value or profitability include:

> any of the acquisition or business opportunities performing below expectations;

> capital expenditure required in any of the acquisition or business opportunities being greater than expected;

> breakdown in the relationship with the joint venture partner; or

> a downturn in the relevant local market conditions.

d. Geographic concentration of Merged Group portfolio

Both DEXUS and IOF have a concentration of office properties in the New South Wales market. As at 31 December 2015, the Merged Group portfolio was concentrated in the New South Wales market with 60% of the portfolio location in this market. Although this market is performing strongly at present, if office market conditions were to deteriorate in Sydney, it may affect the Merged Group's future value or profitability.

The Independent Directors have been advised that DEXUS RE believes that the scale and quality of the Merged Group's portfolio offers diversification benefits to protect against any declines in the performance of a specific real estate market. See Section 8.4 of this Explanatory Memorandum for further information regarding DEXUS's portfolios and diversification.

e. Change in risk and investment profile

1. Third Party Funds Management business

DEXUS has a Third Party Funds Management business which is actively growing, whereas IOF does not have a third party management business. This Third Party Funds Management business may be perceived as more volatile than property ownership. Property ownership comprises the majority of DEXUS earnings.

The Merged Group's profitability may be impacted if the Merged Group's Third Party Funds Management business were to reduce materially or if it did not continue to experience growth post-implementation of the Proposal. The DEXUS Third Party Funds Management business is diversified across a range of funds limiting any potential impact from a single fund or investor. In addition, DEXUS has existing relationships with a wide range of leading third party capital providers and a long standing history as real estate fund manager within the Australian market. See Section 8.4 of this Explanatory Memorandum which describes the diversified business of DEXUS.

2. Trading Profits

Whilst Trading Profits may vary, DEXUS realised Trading Profits of $42.6 million (less associated tax expense) in FY15, and $63.3 million (less associated tax expense) in 1HY16 respectively as a result of active repositioning – see Section 8.4(c) of this Explanatory Memorandum. These trading opportunities and therefore Trading Profits vary from year to year and hence there can be no guarantee that the Merged Group will be able to maintain or increase Trading Profits in the future. Trading Profits are inherently volatile and past performance is not indicative of future performance.

3. Industrial assets

DEXUS operations include the ownership of industrial real estate assets whereas IOF does not currently have exposure to this sector. The Merged Group's real estate portfolio is expected to comprise 88% office real estate however Proposal Participants who acquire DEXUS Securities will be exposed to risks associated with the industrial property sector including environmental and tenancy risks.

4. Gearing

The Merged Group is expected to have pro-forma look-through gearing of 33.5%, which is within the expected target gearing range of the Merged Group of 30% to 40%. This expected level of gearing is in line with the existing DEXUS target gearing range but higher than the existing IOF target gearing range.

f. Development activities

Both DEXUS and IOF have a pipeline of key office property development projects, which when combined will result in the Merged Group having a larger development pipeline than DEXUS and IOF on a standalone basis. See Sections 6.4 and 8.4(a) of this Explanatory Memorandum for details, relating to the specific projects that are either currently under construction or undergoing planning.

The earnings, cash flows and valuations of these developments are impacted by a number of factors including construction costs, scheduled completion dates, assumed post-completion occupancy, assumed rentals achieved and the ability of tenants to meet rental obligations.

If construction costs are significantly higher than expected, completion dates become delayed, development approvals become protracted or are not received, tenant vacancies cannot be fully filled whether on the Implementation Date or otherwise or rental payments are not received, the Merged Group's performance may be affected.

g. Time delays

Development approvals, slow decision-making by counterparties, complex construction specifications, changes to design briefs, legal issues and other documentation changes may give rise to delays in the completion of projects, loss of revenue and cost overruns. Additionally, delays in completion of projects may, in turn, result in liquidated damages and termination of lease agreements and pre-sale agreements.

Other time delays may arise in relation to construction and development projects including supply of labour, scarcity of construction materials, lower than expected productivity levels, inclement weather conditions, land contamination, difficult site access or industrial relations issues. Objections raised by community interest groups, environmental groups and neighbours may also delay the granting of planning approvals or the overall progress of a project.

Any such time delays may increase the costs associated with the Merged Group's development projects, which may affect the Merged Group's performance.

DEXUS has demonstrated experience in undertaking development projects and has established internal policies and procedures to identify and manage risks associated with developments, which should assist in mitigating this risk.

h. Refinancing requirements

Although the debt maturity profile for the Merged Group will be diversified, ongoing refinance risks will exist, as factors outside the control of the Merged Group could impact the Merged Group's ability to refinance any or all of these debt maturities and refinancing may be on less favourable terms. The Merged Group will have $96 million of debt maturing during FY16, and approximately $750 million of debt maturing during FY17.

If the Merged Group is unable to refinance all or some of these debt maturities, which is not expected, the Merged Group would need to consider alternative funding options such as asset disposals or equity capital raisings. As it is not expected that alternative funding will be required, the Merged Group does not have any plans in this regard.

i. Availability of capital

Real estate investment and development is highly capital intensive. The Merged Group's ability to raise or borrow funds in the future on favourable terms depends on a number of factors including general economic conditions, political, capital and credit market conditions and the reputation, performance and financial strength of the Merged Group's business. Many of these factors will be outside the Merged Group's control and may increase the cost and availability of capital.

Changes in the Merged Group's credit ratings from that of DEXUS pre-implementation of the Proposal may also have an adverse effect on its financial position, ability to raise capital and may also increase the cost of raising capital.

j. Impact of financing covenants

The Merged Group's financiers will require it to maintain certain gearing and other ratios under various debt covenants. As of the date of this Explanatory Memorandum, both DEXUS and IOF were in compliance with all covenants under their respective debt facilities and it is expected that the Merged Group will be in compliance with its respective debt facilities post-implementation of the Proposal.

In the event that any of the Merged Group's covenants are breached, financiers may seek to exercise enforcement rights under debt documentation. No financiers' rights under DEXUS's and IOF's current debt facilities are triggered as a result of adverse market capitalisation movements nor is it anticipated that the Merged Group's debt facilities will have such a trigger.

See Sections 9.3 and 9.4 for further information regarding funding arrangements and finance facilities.

k. Impact of interest rates

The Merged Group's interest cost on floating rate debt will increase if benchmark interest rates increase. This would reduce earnings and cash flow available for distribution to DEXUS Securityholders.

DEXUS manages its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging instruments and it is expected that the Merged Group will continue to do the same. However the impact of interest rate hedging may be negative, depending on the extent, timing or direction of movements in underlying rates. To the extent that the Merged Group does not hedge effectively (or at all) against movements in interest rates, such interest rate movements may adversely affect the Merged Group's results.

l. Illiquid assets

Property assets are by their nature illiquid investments. The Merged Group may be required to dispose of some of its property assets in response to adverse business conditions. If property assets are required to be disposed in order to raise liquidity, it may not be possible to dispose of assets in a timely manner or at an optimal price. This may affect the Merged Group's NTA or the market price of DEXUS Securities. Further details on the Merged Group's NTA and the market price of DEXUS Securities are set out in Sections 10.2 and 8.8(a) respectively of this Explanatory Memorandum.

m. Returns from investments

The value, expectations of capital growth, and income returns from the Merged Group's property assets will fluctuate depending on property market conditions. Rental and occupancy levels may change as a result of changes in the property market and general economic conditions (including conditions relating to retail, office, logistics and business park and development assets), and this may affect the distributions paid by DEXUS RE as responsible entity of the Merged Group to securityholders in the Merged Group and the market price of DEXUS Securities. Further details on the distributions paid by DEXUS and the market price of DEXUS Securities are set out in Section 8 of this Explanatory Memorandum.

The ability to procure tenants (including timing and rental paid), demand for property from investors and the expenses in operating, refurbishing and maintaining properties, may influence the value of the Merged Group's assets. The supply of competing buildings, both existing and new, may also affect the ability of the Merged Group to secure lease renewals, retain existing tenants or obtain new tenants.

n. Changing investor demand for property investments

The demand for property and listed property securities such as DEXUS Securities may change as investor preferences for particular sectors and asset classes change.

The demand for property as an asset class may change over time and can be influenced by general economic factors such as interest rates, stock market cycles and exchange rates.

o. Reputational risk

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

p. Asset and land values

Asset values are affected by many factors including prevailing market conditions, risk appetite, volume of sales, the ability to procure tenants, contracted rental returns, operating, maintenance and refurbishment expenses and the funding environment. From time to time, unanticipated events may also occur that affect the value of land or increase development costs, such as land resumption, major infrastructure requirements or unanticipated environmental issues. A decrease in the asset or land values of the properties in the Merged Group could have a material adverse effect on the Merged Group's financial position and performance.

q. Property leasing

There is a risk that tenants may default on their rent or other obligations under leases, leading to capital losses or a reduction in income from those assets. There is also a risk that it may not be possible to negotiate lease renewals or maintain existing lease terms. If this occurs, income from and the book values of the Merged Group assets may be adversely impacted.

DEXUS is an experienced manager of office real estate, and has a demonstrated history of maintaining strong rates of occupancy across its portfolio. IOF's portfolio is primarily comprised of Prime grade office properties and includes a range of major Australian corporates. In addition, tenants are generally required to provide collateral against the rental obligations under lease agreements, providing additional certainty as to the income streams from the IOF portfolio. In the event any tenants defaulted on their rent or other obligations DEXUS would undertake to re-lease the space in line with its existing operations.

r. Impairment of goodwill and other tangible assets

The financial statements of the Merged Group will be prepared in conformity with International Financial Reporting Standards and consistent with the current accounting policies of DEXUS. Under IFRS, intangible assets that have an indefinite useful life including goodwill are not subject to amortisation and are reviewed annually for impairment, or when impairment triggers occur. Individual assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset may not be recoverable. Changes to the carrying amounts of intangible assets of the Merged Group could have an adverse impact on the reported financial performance of the Merged Group.

s. Accounting revisions may be required

The IOF Group has accounting policies and methods, including making accounting estimates which affect how it records and reports its financial position and results of operations.

While no material differences between DEXUS and IOF Group policies have been identified the integration of the IOF Group may lead to revisions of asset and liability balances which may adversely impact the Merged Group's reported financial position.

t. Taxation

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the future tax liabilities of the Merged Group. Under current income tax legislation, the Flow-Through Trusts are generally not liable for Australian income tax, including CGT, provided security holders are presently entitled to all of the income of those trusts each year. Should the actions or activities of one of the Flow-Through Trusts (or their controlled entities) cause the relevant trust to fall within the operative provisions of Division 6B or 6C of the *Income Tax Assessment Act 1936* (Cth), the relevant trust may be taxed on its (taxable) income at a rate which is currently equivalent to the corporate income tax rate of 30%.

Should a disposal of an IOF co-owned property occur by ILFML between the Implementation Date and 30 June 2016 as a result of the exercise of a pre-emptive and/or default right by a co-owner, this may give rise to a CGT liability. See Sections 11.3(a) and 13 of this Explanatory Memorandum for further information.

On 3 December 2015, the Australian Government introduced a Bill into Parliament to give effect to a new tax regime for eligible MITs. If enacted in its current form, the new provisions will generally apply for income years commencing on or after 1 July 2016, although certain provisions apply to earlier years and eligible MITs have the ability to elect to apply the laws from 1 July 2015.

The new tax regime for eligible MITs includes certain measures such as a specific statutory regime for 'unders and overs', deemed treatment as a 'fixed trust', and an attribution regime for taxing trustees and beneficiaries. The new tax regime will also include an 'arm's length' rule that provides for MITs to be taxed at a 30% rate on any non-arm's length income.

The changes provided for under the Bill are not yet law and, given that the Bill has only been recently introduced into Australian Parliament, DEXUS RE and ILFML are still in the process of obtaining advice on the specific impacts of the Bill on it, its investors and the choices available.

The Australian Government has for some time been in the process of conducting a detailed review of the tax system (including taxes supporting funding to the states). That review is ongoing. It is possible that changes eventuate in relation to the mix of taxes (for example state, income, corporate, GST) or new taxes are introduced which may have a positive or negative future impact on the performance of the Merged Group.

Investors must conduct and rely upon their own investigation and assessment of, and acknowledge they have sought any advice they deem necessary from their own advisers regarding the Proposal, including, without limitation, the particular Australian income tax consequences of the Proposal in light of their particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

u. Taxation audit

As previously announced by IOF on ASX, the ATO is currently auditing the income tax returns of IOF for certain income years.

As also previously announced on ASX, the ATO has advised ILFML management in respect of the audit that it does not intend, as its primary course, to amend the income of IOF or IOF Unitholders.

11.4 Specific risk factors relating to DEXUS Securities

a. Dilution risk

Under the Proposal, DEXUS RE will issue a significant number of new DEXUS Securities, some of which Proposal Participants may not intend to continue to hold. Future sales or issuances of a substantial number of DEXUS Securities in the public markets, or the perception of such sales or issuances, could depress the trading price of, and demand for DEXUS Securities. DEXUS RE cannot predict the effect that future sales or issuances of DEXUS Securities or other equity related securities would have on the market price of DEXUS Securities.

b. Equity market conditions

Investors should be aware that the market price of DEXUS Securities and the future distributions made to the securityholders of the Merged Group 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 equity and credit markets;
- changes in economic conditions including inflation, recessions and interest rates;
- changes in market regulators' policies and practice in relation to regulatory legislation;
- changes in Government fiscal, monetary and regulatory policies; and
- the demand for DEXUS Securities.

These risk factors are generally unpredictable and may have implications that are unrelated or disproportionate to the operating performance of the Merged Group.

11.5 Other general risks of the Merged Group

a. Counterparty/credit risk

The Merged Group as a REIT, will be exposed to the risk that third parties, such as tenants, developers, service providers and financial counterparties to debt facilities, financial instruments or derivatives (including foreign exchange and interest rate hedging instruments) and other contractors may not be willing or able to perform their obligations, which could have an adverse impact on the Merged Group's financial position and performance.

b. Fixed nature of costs

Many costs associated with the ownership and management of property assets are fixed in nature. The value of the Merged Group's assets may be adversely affected if the income from the asset declines and these fixed costs remain unchanged.

c. Capital expenditure

The Merged Group, as a REIT, is exposed to the risk of unforeseen capital expenditure requirements in order to maintain the quality of its buildings and tenants.

d. Environmental matters

The Merged Group, as a REIT, is exposed to a range of environmental risks which may result in project delays or additional expenditure. In such situations, the Merged Group may be required to undertake remedial works and potentially be exposed to third party liability claims and/or environmental liabilities such as penalties or fines.

The Merged Group will have an Environmental Management Policy in place which aims to minimise the overall environmental impact of its operations. It will also be a signatory to the United Nations Principles of Responsible Investment (UNPRI) and will incorporate these principles into its investment decisions. Further details are set out in Section 8.13(h) of this Explanatory Memorandum.

e. Insurance

The Merged Group, like other REITS, will have and will purchase insurance, customarily carried by property owners, managers, developers and construction entities, which provides a degree of protection for its assets, liabilities and people. Such policies include material damage of assets, contract works, business interruption, general and professional liability and workers compensation. There are however certain risks that are uninsurable (for example nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (for example cyclone and earthquake).

The Merged Group, like other REITS, also faces risks associated with the financial strength of its insurers to meet indemnity obligations when called upon which could have an adverse effect on earnings.

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

f. Regulatory issues and changes in law (including taxation)

Changes in relevant laws, accounting standards, other legal, legislative and administrative regimes, and government policies (including Government fiscal, monetary and regulatory policies), may have an adverse effect on the assets, operations and, ultimately, the financial performance of the Merged Group. For example, there could be:

- changes in tax laws or the outcomes of compliance activities undertaken by taxation authorities which may impact the Merged Group’s future tax liabilities;
- changes in tenancy laws that limit the Merged Group’s recovery of certain property operating expenses;
- changes or increases in real estate taxes that cannot be recovered from the Merged Group’s tenants;
- changes in environmental or building laws or codes that require significant capital expenditure; or
- changes in financial reporting requirements and accounting standards, or interpretation of them, that may change the basis on which the Merged Group is required to prepare its financial statements.

Further, IOF’s and DEXUS’s respective activities, operations and transactions are subject to many complex laws and regulations especially in relation to tax and accounting.

Determining how their respective activities, transactions or operations are to be undertaken in compliance with applicable laws and regulations requires both IOF and DEXUS to interpret those laws and regulations in the light of any available administrative guidance and this may involve significant judgment, in circumstances where there may be differing but reasonable interpretations available. If any of their respective determinations relating to these matters are subsequently found to be wrong or in error, this could result in material adverse consequences, including reputational and financial, for the relevant entity involved and any of its securityholders who were affected by such determination, as could any future changes in laws or regulations.

The impact of future regulatory and legislative change upon the business of the Merged Group cannot be predicted. In addition, if the amount and complexity of new regulation increases, so too may the cost of compliance and the risk of non-compliance.

g. Inflation

Higher than expected inflation rates generally or specific to the property sector could be expected to increase operating costs and development costs for the Merged Group, affecting its income, management fees and overhead expenses.

This risk is mitigated as a large part of the Merged Group’s income will be derived from property leases, in particular leases in the office sector, which predominantly require tenants to pay contracted per annum rental increases. Rental increases generally comprise fixed per annum increases, increases linked to the consumer price index or market reviews depending on the terms of the specific lease agreement. These contracted per annum rental increases will assist in addressing the impact of any higher than expected inflation on the Merged Group.

h. Litigation and disputes

Disputes or litigation may arise from time to time in the course of business activities. There is a risk that material or costly disputes or litigation could adversely affect the financial performance and reputation of the Merged Group and the value of DEXUS Securities.

i. Competition

The Merged Group will face competition from other property groups active in Australia. Such competition could lead to the following adverse outcomes:

> loss of tenants to competitors;
> a reduction in rents; and
> an inability to secure new tenants resulting from oversupply of space.

j. Reliance on key personnel

The Merged Group will be reliant on a number of key personnel to manage the day-to-day requirements of the business. Loss of such personnel, or inability to attract suitably qualified personnel, may have a material adverse impact on the Merged Group's performance.

The Merged Group's ability to provide active management capability across the enlarged portfolio will depend in large parts on the efforts of these individuals. The Merged Group will face competition for qualified personnel, and there can be no assurance that it will be able to attract and retain such personnel.

In order to mitigate this risk, the short term and long term incentive plans will be in place to assist in the recruitment and retention of key personnel needed to achieve the Merged Group's business objectives. Further information on the incentive plans is set out in Section 8.15.

k. Work, health and safety

The Merged Group will be subject to extensive laws and regulations governing health and safety matters, protecting both the public and the Merged Group's employees.

Poor work safety practices by the Merged Group or a failure to comply with the necessary work safety regulatory requirements across the jurisdictions in which the Merged Group will operate could result in fines, penalties and compensation for damages as well as reputational damage and poor staff morale and industrial action.

There is also a risk associated with incidents relating to health and safety that do not result from any breach of obligations, including the risk of terrorist activity at an asset owned or managed by the Merged Group.

l. Market conditions

The Merged Group's operating and financial performance will be influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, commodity prices, ability to access funding, supply 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 material adverse impact on the Merged Group's operating and financial performance.

A number of factors affect the performance of stock markets, which could affect the price at which DEXUS Securities trade on ASX following implementation of the Proposal.

12

IMPLEMENTATION OF THE PROPOSAL

12.1 Implementation Agreement

On 18 December 2015, ILFML and DEXUS RE entered into an Implementation Agreement in relation to the Proposal under which ILFML agreed to put the Proposal to IOF Unitholders. The implementation of the Proposal is subject to a number of Conditions Precedent which are summarised in Sections 5.2 and 14.3 of this Explanatory Memorandum. The Proposal will not proceed unless all of these conditions are satisfied or waived (if applicable) in accordance with the Implementation Agreement. ILFML and DEXUS RE have agreed to use all reasonable endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent.

A summary of the Implementation Agreement is set out in Section 14 of this Explanatory Memorandum.

12.2 Deed Poll

On 3 March 2016, DEXUS RE, DWML as trustee of DOT IOF Sub-Trust and the Bidder executed the Deed Poll, pursuant to which DEXUS RE, DWML as trustee of DOT IOF Sub-Trust have agreed to do all things necessary to give full effect to the Proposal, including the obligation to provide Proposal Consideration to Proposal Participants, subject to the Proposal becoming Effective.

A copy of the Deed Poll is attached as Attachment 6 to this Explanatory Memorandum.

12.3 Effective Date

The Proposal will, subject to the Proposal Resolutions being passed at the Meeting and receipt of the Second Judicial Advice, become Effective on the Effective Date.

If the Trust Constitution Amendment Resolution has been passed, notification will be lodged with ASIC following the Meeting.

12.4 Determination of persons entitled to the Proposal Consideration

a. Record Date

Those IOF Unitholders on the IOF Register on the Record Date (ie at 5.00pm (Sydney time) on Thursday, 21 April 2016) will become entitled to the Proposal Consideration in respect of the IOF Units they hold at that time, except for Ineligible Overseas Unitholders and Electing Minimum Holders who will receive cash pursuant to the Sale Facility.

b. Dealings on or prior to the Record Date

For the purposes of calculating entitlements under the Proposal, any dealing in IOF Units will only be recognised if:

1. in the case of dealings of the type to be effected by CHESS, the transferee is registered in the IOF Register as the holder of the relevant IOF Units on or before the Record Date; and
2. in all other cases:
   A. registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before the Record Date at the IOF Registry; or

   B. if the dealing occurred before the close of business on the Effective Date or another date determined by ASX.

   Subject to the Corporations Act, Listing Rules and the IOF Constitutions, ILFML must register registrable transmission applications or transfers of the kind recognised above, or as soon as practicable after, the Record Date.

   ILFML will not accept for registration or recognise for any purpose any transmission application or transfer in respect of IOF Units received after the Record Date or received prior to that time but not in registrable form.

c. Dealings after the Record Date

For the purposes of determining the entitlement to the Proposal Consideration, ILFML will, until the Proposal Consideration has been paid to the Proposal Participants and the Bidder has been registered as the holder of the IOF Units, maintain the IOF Register, subject to the comments in Section 12.4(a) of this Explanatory Memorandum, in its form as at the Record Date. The IOF Register in this form will solely determine entitlements to the Proposal Consideration.

From the Record Date, except as evidence of entitlement to the Proposal Consideration in respect of the IOF Units relating to that entry:

1. all statements of holding in respect of IOF Units cease to have effect as documents of title in respect of such IOF Units; and
2. each entry on the IOF Register will cease to be of any effect.

12.5 Proposal Consideration

A summary of the Proposal Consideration is set out in Section 5.3 of this Explanatory Memorandum.

12.6 Fractional entitlements and security splitting

a. Fractional Entitlements and rounding

Any entitlement of Eligible IOF Unitholders to a fraction of a new DEXUS Security in accordance with Sections 5.3(a) or 5.3(c) of this Explanatory Memorandum will be rounded down to the nearest whole number of new DEXUS Securities.

Any cash amount payable to an IOF Unitholder will be rounded down to the nearest whole cent.

b. Security splitting

If DEXUS RE and ILFML are of the opinion (acting reasonably) that two or more Proposal Participants (each of whom holds a number of IOF Units which results in rounding in accordance with Section 12.6(a) if this Explanatory Memorandum) have, before the Record Date, been party to security splitting or division in an attempt to obtain unfair advantage by reference to such rounding, ILFML may give notice to those Proposal Participants:

1. setting out their names and registered addresses as shown in the IOF Register;
2. stating that opinion; and
3. attributing to one of them specifically identified in the notice the IOF Units held by all of them,

and, after such notice has been given, the Proposal Participant specifically identified in the notice as the deemed holder of all the specified IOF Units will be taken to hold all of those IOF Units and each of the other Proposal Participants whose names and registered addresses are set out in the notice will be taken to hold no IOF Units. ILFML, in complying with the provisions of this Explanatory Memorandum relating to it in respect of the Proposal Participant specifically identified in the notice as the deemed holder of all the specified IOF Units, will be taken to have satisfied and discharged its obligations to the other Proposal Participants named in the notice.

12.7 Payment of Proposal Consideration

a. Payment of cash consideration

In respect of those Proposal Participants who are to receive the whole or part of the Proposal Consideration in cash, if the Proposal becomes Effective and is implemented:

1. DEXUS RE or Bidder must, by 12:00pm (Sydney time) on the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Cash Component of the Proposal Consideration payable to Proposal Participants in an Australian dollar denominated trust account operated by ILFML as trustee for the Proposal Participants;
2. on the Implementation Date, subject to funds having been deposited as set out above, ILFML must pay or procure the payment, to each Proposal Participant such amount of cash from the Cash Component of the Proposal Consideration as that Proposal Participant is entitled to (if any);
3. ILFML will make such payment either by:
    A. electronic funds transfer to either an account nominated by the Proposal Participant on their Election Form or, if no account is so nominated, the account of the Proposal Participant with the bank or other financial institution nominated by them for receipt of distributions on their IOF Units; or

    B. otherwise, dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian dollars to the Proposal Participant by prepaid post to their registered address (as at the Record Date), such cheque being drawn in the name of the Proposal Participant, subject to rules for joint holders.

b. Provision of Scrip Consideration

In respect of those Proposal Participants who are to receive the whole or part of the Proposal Consideration in new DEXUS Securities, if the Proposal becomes Effective and is implemented, DEXUS RE must on or before the Implementation Date issue the applicable number of DEXUS Securities to each applicable Proposal Participant in accordance with the terms of the Proposal before the transfer of the IOF Units on the Implementation Date.

c. Sale Facility

DEXUS RE will procure that, as soon as reasonably practicable and in any event not more than 15 Business Days after the Implementation Date, the Sale Agent:

1. sells on the financial market conducted by ASX all of the new DEXUS Securities issued to the Sale Agent in the manner, at the price and on the other terms that the Sale Agent determines in good faith and at the risk of the Ineligible Overseas Unitholders and Electing Minimum Holders; and
2. remits to ILFML the proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges).

Promptly after the last sale of new DEXUS Securities in accordance with this Section 12.7(c) of this Explanatory Memorandum, ILFML will pay to each Ineligible Overseas Unitholder and Electing Minimum Holder an amount equal to the proportion of the net proceeds of sale received by ILFML to which that Ineligible Overseas Unitholder or Electing Minimum Holder is entitled in full satisfaction of the Ineligible Overseas Unitholder's or Electing Minimum Holder's right to the relevant new DEXUS Securities.

Each Ineligible Overseas Unitholder and Electing Minimum Holder appoints ILFML as its agent to receive on its behalf any financial services guide or other notices which may be given by the Sale Agent appointed by DEXUS RE to the relevant Ineligible Overseas Unitholder or Electing Minimum Holder.

12.8 Ineligible Overseas Unitholders, Electing Minimum Holders and Sale Facility

A summary of the entitlements of Ineligible Overseas Unitholders and Electing Minimum Holders in relation to the Proposal Consideration and the Sale Facility is set out in Sections 5.3(d), 5.3(e) and 5.3(f) of this Explanatory Memorandum.

12.9 Commencement of trading of new DEXUS Securities

The new DEXUS Securities issued as Proposal Consideration are expected to commence trading on ASX on Monday, 2 May 2016.

The exact number of new DEXUS Securities to be issued to Proposal Participants will not be known until after the Record Date and will not be confirmed to them until they receive their holding statements/confirmations following the Implementation Date. It is the responsibility of each Proposal Participant to confirm their holdings of new DEXUS Securities before they trade them to avoid the risk of committing to sell more than will be issued to them. Proposal Participants who trade their new DEXUS Securities do so at their own risk.

Eligible IOF Unitholders will become DEXUS Securityholders once they are issued with their new DEXUS Securities, and in due course receive a DEXUS financial report for the year ending 30 June 2016.

12.10 Delisting of IOF

ILFML will apply:

a. for termination of the official quotation of IOF Units on ASX; and

b. to have IOF removed from the official list of ASX,

with effect after the Implementation Date.

13

TAX IMPLICATIONS

GREENWOODS
+HERBERT
SMITH
FREEHILLS

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

9 March 2016

Dear Directors

Australian Taxation Report

We have been requested by Investa Listed Funds Management Limited (**ILFML**) in its capacity as responsible entity of AJO Fund and PCP Trust to prepare a Taxation Report to be included in the Explanatory Memorandum dated on or around 9 March 2016. AJO Fund and PCP Trust will be collectively referred to in this letter as IOF.

The information contained in this report is of a general nature only. It does not constitute tax advice and should not be relied upon as such. This report outlines the general Australian income tax and goods and services tax (**GST**) implications for IOF Securityholders in respect of the Proposal. The Proposal should not give rise to any stamp duty implications for IOF Securityholders.

We have only dealt with the tax implications for IOF Securityholders who are Australian resident individuals and hold their IOF Securities on capital account. This letter does not deal with IOF Securityholders who:

- hold their IOF Securities as trading stock or otherwise as revenue assets;
- acquired their interests in their IOF Securities pursuant to an employee share, option or rights plan;
- are subject to the taxation of financial arrangement rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**1997 Act**);
- are not individuals such as superannuation funds and companies or are acting as trustee of a trust;
- are resident in a country other than Australia; or
- acquired (or are deemed to have acquired) their units in either AJO Fund or PCP Trust before 20 September 1985.

All investors should seek independent professional advice on the consequences of their participation in the Proposal, based on their particular circumstances. IOF Securityholders who are tax residents of a country other than Australia (whether or not they are also residents or temporary residents of Australia for tax purposes) should obtain advice on the taxation implications arising in their local jurisdiction of the proposed transaction.

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

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

1 Proposal

The proposed transaction steps are detailed in Section 5 of the Explanatory Memorandum.

2 Tax consequences of the Proposal

2.1 CGT event

The Proposal should give rise to two separate CGT events for IOF Securityholders:

- CGT Event A1 will occur for IOF Securityholders upon exchange of their AJO Fund units for DEXUS Securities and/or cash; and
- CGT Event A1 will also occur for IOF Securityholders upon exchange of their PCP Trust units for DEXUS Securities and/or cash.

On the basis that both CGT events will arise as a consequence of a trust scheme, the time of the CGT event should be the Implementation Date for the Proposal.

Securityholders will need to allocate the market value of the Proposal Consideration (**Capital Proceeds**) received for their IOF Securities on a reasonable basis to their units in AJO Fund and units in PCP Trust. One way of doing this is to apply the Capital Proceeds based on the relative net assets of AJO Fund and PCP Trust. Information regarding the relative net asset split of AJO Fund and PCP Trust is published on the Investa website.

To the extent that the Capital Proceeds allocated by an IOF Securityholder to its AJO Fund units is greater than the cost base of those AJO Fund units, the IOF Securityholder will realise a capital gain. To the extent that the Capital Proceeds allocated by an IOF Securityholder to its AJO Fund units is less than the reduced cost base of those AJO Fund units, the IOF Securityholder will realise a capital loss.

Similarly, to the extent that the Capital Proceeds allocated by an IOF Securityholder to its PCP Trust units is greater than the cost base of those PCP Trust units, the IOF Securityholder will realise a capital gain. To the extent that the Capital Proceeds allocated by an IOF Securityholder to its PCP Trust units is less than the reduced cost base of those PCP Trust units, the IOF Securityholder will realise a capital loss.

Investors must include any capital gain or loss on disposal of their IOF Securities in the calculation of their net capital gain or net capital loss for the income year in which the CGT event occurs.

Where an IOF Securityholder has held its IOF Securities for 12 months or more and the IOF Securityholder is an Australian resident individual, the IOF Securityholder should be entitled to a 50% discount on any capital gain that they make on the disposal of their AJO Fund and PCP Trust units that is included in their net capital gain for the income year.

We also note that IOF Securityholders who acquired their units in either AJO Fund or PCP Trust on or before 11.45am on 21 September 1999 may choose to apply the indexation method instead of the CGT discount to any capital gain made in respect of their IOF Securities.

In addition, a portion of any capital gain arising for IOF Securityholders as a result of the Proposal may be disregarded to the extent that scrip for scrip rollover relief is available and chosen by IOF Securityholders in respect of their units. The availability of scrip for scrip rollover is discussed below.

2.2 Scrip for scrip rollover

The Proposal Consideration received by IOF Securityholders for their IOF Securities may comprise:

- DEXUS Securities which consist of a unit in each of DOT, DIT, DDF and DXO (**DEXUS Stapled Entities**);
- cash; or
- both DEXUS Securities and cash.

To the extent that IOF Securityholders exchange their units in AJO Fund and PCP Trust for DOT units, IOF Securityholders should be eligible for partial scrip for scrip rollover relief and therefore entitled to disregard part of any capital gain arising from the Proposal. There should be no scrip for scrip rollover available to the extent that AJO Fund and PCP Trust units are exchanged for cash or for units in DIT, DDF or DXO. More detail regarding the extent to which rollover will be available to IOF Securityholders will be published on the IOF website in due course.

If an IOF Securityholder chooses scrip for scrip rollover in respect of (and to the extent that) IOF Securities that are exchanged for DOT units, the cost base and reduced cost base of each DOT unit acquired by an IOF Securityholder will be equal to the amount which is reasonably attributable to the cost base of each AJO Fund and PCP Trust unit for which the DOT unit was exchanged and for which scrip for scrip rollover relief is chosen.

For CGT discount purposes, the new DOT units will be taken to have been acquired at the time the original IOF Securities for which they were exchanged were acquired.

IOF has applied to the ATO for a binding class ruling (**Class Ruling**) for the benefit of IOF Securityholders which seeks to provide confirmation in relation to the availability of scrip for scrip rollover for IOF Securityholders to the extent they exchange their units in AJO Fund and PCP Trust for DOT units.

A copy of the Class Ruling will be made available on the IOF website once it is issued.

2.3 Sale Facility

IOF Securityholders who participate in the Sale Facility will be treated as:

- having received the DEXUS Securities that they would have otherwise been provided to them (**Sale Facility Securities**) as part of their Proposal Consideration; and
- disposed of those Sale Facility Securities.

The taxation consequences of the receipt of the Sale Facility Securities as part of their Proposal Consideration should be in accordance with sections 2.1 and 2.2 of this Taxation Report. The taxation consequences of the disposal of those Sale Facility Securities should be in accordance with section 5 of this Taxation Report.

3 IOF December 2015 Distribution

IOF Securityholders who are registered on 31 December 2015 will receive a distribution from IOF in respect of the period ended 31 December 2015. The tax profile of the 31 December 2015 distribution will be advised to IOF Securityholders subsequent to 30 June 2016. The tax profile of that distribution is determined by reference to the taxation position of the AJO Fund and PCP Trust for the full income year (ie the 12 months to 30 June 2016). ILFML has given an undertaking (**ILFML Undertaking**) to IOF Securityholders whereby if the Proposal occurs on or before 30 June 2016, ILFML will determine that the distributable income of AJO Fund and PCP Trust for the year ending 30 June 2016 will be at least equal to the taxable income of the trusts, as reasonably determined as at 30 June 2016. We note that this will include any net capital gain that arises from the sale of any assets between the Implementation Date and 30 June 2016.

The ILFML Undertaking should not cause any change to the entitlement to distributions from AJO Fund and PCP Trust for IOF Securityholders.

4 Holding of DEXUS Securities

Following implementation of the Proposal, IOF Securityholders will cease to hold IOF Securities and may instead hold DEXUS Securities.

The DEXUS Securities will be stapled securities comprising units in DOT, DIT, DDF and DXO. DEXUS Securityholders will need to treat each component security making up the DEXUS Security separately for tax purposes. That is:

- DEXUS Securityholders will receive, and separately deal with the tax consequences of distributions from each of DOT, DIT and DDF and dividends from DXO; and
- on disposal of their DEXUS Securities, the DEXUS Securityholders will have to separately consider the tax issues associated with the disposal of units in each of DOT, DIT, DDF and DXO.

4.1 Income Distributions from DOT, DIT and DDF

We understand that DOT, DIT and DDF will be managed such that the RE should not be liable to tax on its taxable income but rather the taxable income of each trust will be subject to tax in the hands of DEXUS Securityholders.

DEXUS Securityholders will include in their assessable income the taxable component of DOT, DIT and DDF distributions to which the securityholder is entitled (being the securityholder’s proportionate share of DOT, DIT and DDF’s taxable income) even if the distributions are reinvested. This amount will be taxed to the securityholder in the income year in which the entitlement to a distribution arises irrespective of the timing of the cash payments made in respect of distributions.

If a net capital gain is included in the taxable income of the trust (for example, on disposal of an asset), DEXUS Securityholders will be regarded as having derived a capital gain equal to their proportionate share of that net capital gain. However, where discount capital gains treatment has been applied in calculating the net capital gain for the trust, DEXUS Securityholders will be required to gross-up the amount of the capital gain included in their assessable income. DEXUS Securityholders can then apply any available capital losses from other sources to offset the capital gain and then apply their CGT discount factor, if applicable. As above, a CGT discount of 50% is applicable to Australian resident individuals who have held their securities for 12 months of more. Note that the indexation method may be applied instead of the CGT discount where scrip for scrip rollover was chosen (see section 2.1 of this Taxation Report).

If the total cash distributions that a DEXUS Securityholder receives in an income year exceeds his or her proportionate share of the taxable income of the trust, the excess should represent a “tax deferred” distribution. The tax deferred component of a distribution a DEXUS Securityholder receives should generally not be included in a DEXUS Securityholder’s assessable income. However, the tax deferred component will reduce the cost base of the DEXUS Securityholder’s units in the trust.

Where the cost base of a unit has been reduced to zero, any further receipts of tax deferred distributions in respect of that unit will be assessable to the DEXUS Securityholder on receipt as a capital gain. The CGT discount may be applied to this capital gain where the units have been held for 12 months or more. As above, the indexation method may be applied instead of the CGT discount where scrip for scrip rollover was chosen (see section 2.1 of this Taxation Report).

A securityholder’s acquisition date for its DIT, DDF and DXO units should be the Implementation Date. Where scrip for scrip rollover was not available or was not chosen, a securityholder’s acquisition date for its DOT Units should also be the Implementation Date. Where, in respect of an IOF Security, scrip for scrip rollover relief was available and was chosen, for the purposes of applying the CGT discount, a securityholder’s acquisition date for their DOT unit should be taken to be the date they acquired their original IOF Security (refer 2.2 above).

4.2 Dividends from DXO

Distributions from DXO should be treated as dividends for tax purposes and DEXUS Securityholders should include dividends paid by DXO in their assessable income. In addition to the amount of the dividends, DEXUS Securityholders who are residents will generally include any franking credits attached to the dividends in their assessable income. Where franking credits are included in a DEXUS Securityholder's assessable income, the DEXUS Securityholder will generally be entitled to a corresponding tax offset.

Relevantly, to be eligible for the franking credit and tax offset, the DEXUS Securityholder must have held the units "at risk" for at least 45 days (not including the date of the unit's acquisition or disposal). This rule should not apply to a DEXUS Securityholder if the DEXUS Securityholder is an individual whose tax offset entitlement (on all shares and interests in shares held) does not exceed $5,000 for the income year in which the franked dividend is paid.

DEXUS Securityholders who are individuals may be entitled to a refund to the extent that the franking credits attached to the DEXUS Securityholder's dividends exceed the DEXUS Securityholder's tax liability for the income year.

4.3 New MIT regime

In December 2015, a bill containing the proposed regime (the **AMIT regime**) for taxing the income of certain types of trusts – known as ‘attribution managed investment trusts’ (**AMITs**) - was introduced into Parliament. Broadly, the AMIT regime is a new tax system for AMITs that includes the following measures:

- an attribution method that provides a formal mechanism to allocate taxable income to unitholders;
- the ability to carry forward prior year taxable income adjustments to subsequent years;
- both upwards and downwards adjustments to unitholders cost bases in specified circumstances; and
- an arm’s length rule that will apply to transactions that result in income being derived by an AMIT.

Many of the measures included in the new AMIT regime aim to effectively codify previous industry practice and it is not expected that they will result in significant practical changes for AMIT unitholders.

The bill provides that qualifying MITs can irrevocably elect into the AMIT regime from 1 July 2016. Qualifying MITs can also choose to opt in early from 1 July 2015. We have been advised that as at the date of this letter, no DEXUS Property Group or IOF entity has made any elections in relation to the AMIT regime.

Subject to any amendments to the bill prior to enactment, the AMIT regime should have no adverse impact on the Proposal.

As with all new legislation, it is difficult to fully understand the legislation’s impact until it has been put into practice. As such, even though we consider it unlikely, it may be the case that the AMIT regime does have some unforseen implications for IOF Securityholders that become DEXUS Securityholders. Accordingly, IOF Securityholders should monitor developments in relation to the AMIT regime.

5 Disposal of DEXUS Securities

As a consequence of stapling, each unit in DOT, DIT, DDF and DXO constituting a DEXUS Security may not be traded separately. However, each individual unit constituting a DEXUS Security is a separate CGT asset. Accordingly, where there is a disposal of a

DEXUS Security, there will for CGT purposes be a separate disposal of each unit in DOT, DIT, DDF and DXO .

Where consideration is received in connection with a transaction that relates to more than one CGT asset, the capital proceeds for each asset is so much of the total consideration as is reasonably attributable to that asset.

Accordingly, the capital proceeds referable to the disposal of each individual unit constituting a DEXUS Security will be determined by apportioning the total capital proceeds received in respect of the disposal of the DEXUS Security between the individual units on a reasonable basis.

Upon disposal of a DEXUS Security, a DEXUS Securityholder will make a capital gain if the portion of the consideration reasonably attributable to an individual unit in DOT, DIT, DDF or DXO exceeds the cost base of the unit.

A DEXUS Securityholder will make a capital loss if the portion of the consideration reasonably attributable to an individual unit in DOT, DIT, DDF or DXO is less than the reduced cost base of the unit.

For IOF Securityholders who chose scrip for scrip rollover, the way in which the cost base of each unit will be calculated is outlined in section 2.2 of this Taxation Report.

DEXUS Securityholders who realise a capital gain from the disposal of DEXUS Securities may be entitled to a CGT discount provided that they have held their DEXUS Securities for 12 months or more. A CGT discount of 50% is applicable to Australian-resident individuals.

A securityholder's acquisition date for its DIT, DDF and DXO units should be the Implementation Date. Where scrip for scrip rollover was not available or was not chosen, a securityholder's acquisition date for its DOT Units should also be the Implementation Date. Where a securityholder chooses scrip for scrip rollover in respect of IOF Securities exchanged for DOT units, the acquisition date for their DOT unit should be taken to be the date they acquired their original IOF Securities (refer section 2.2 of this Taxation Report above).

6 Goods and Services Tax (GST)

No GST will be charged to IOF Securityholders nor will any GST liability arise for IOF Securityholders (whether resident or non-resident) on any of the steps in the proposed transaction:

- the issue of DEXUS Securities will not be subject to GST as they will be input taxed supplies to resident IOF Securityholders; and
- the current and future distributions on DEXUS Securities will not be consideration for supplies for GST purposes.

7 Other Issues

IOF Securityholders will be invited to quote their Tax File Number (**TFN**) or Australian Business Number (**ABN**) in respect of their acquisition of DEXUS Securities. IOF Securityholders are not obliged to provide their TFN or ABN. However, if a IOF Securityholder does not provide their TFN, ABN or an exemption, tax may be withheld at a rate of 49% on any gross distributions made to them on their DEXUS Securities (with entitlement to claim an income tax credit in respect of the tax withheld).

* * * *

Yours sincerely

Manuel Makas
Director
Greenwoods & Herbert Smith Freehills

14

ADDITIONAL INFORMATION

14.1 Relevant interests of ILFML Directors

ILFML Directors comprise:

- Deborah Page AM (independent non-executive Chairman)
- Peter Dodd (independent non-executive director)
- Peter Rowe (independent non-executive director)

a. Relevant Interests in IOF Units

The table below lists the Relevant Interests of the directors of ILFML as at the date of this Explanatory Memorandum.

Name	Number of IOF Units
Deborah Page	29,450
Peter Dodd	19,902
Peter Rowe	Nil

Due to the nature of the Proposal, the Independent Directors who hold IOF Units believe the Corporations Act prohibits them from voting, but if they were able to vote, they would vote in favour of the Proposal.

b. Relevant Interests in DEXUS Securities

As at the date of this Explanatory Memorandum, no Independent Director has any Relevant Interest in any DEXUS Securities.

14.2 No pre-transaction benefits

a. Benefits in connection with retirement from office

Except as disclosed in Section 14.1 of this Explanatory Memorandum, no payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of ILFML (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from office in ILFML or any of its Related Bodies Corporate in connection with the Proposal.

ILFML pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of the directors of ILFML and executive officers.

b. ILFML Directors' interests in agreements or arrangements relating to the Proposal

Except as disclosed in this Explanatory Memorandum:

- no member of the ILFML Board has any other interest in a contract entered into by DEXUS; and
- there are no contracts or arrangements between a member of the ILFML Board and any person in connection with or conditional upon the outcome of the Proposal, and

no member of the ILFML Board has a material interest in relation to the Proposal other than in their capacity as an IOF Unitholder as outlined in Section 14.1 of this Explanatory Memorandum.

14.3 Summary of the Implementation Agreement

The Implementation Agreement was released to ASX in full on 18 December 2015. A summary is provided below.

Parties	DEXUS RE and ILFML
Purpose	The purpose of the Implementation Agreement is to document the principal terms on which the parties will give effect to the Proposal, including: > ILFML proposing the Proposal; > ILFML issuing the Explanatory Memorandum to IOF Unitholders; and > the obligation to carry out certain steps to enable the Proposal to be proposed, approved and implemented.
Conditions Precedent and status	The implementation of the Proposal is subject to a number of Conditions Precedent: > (**Regulatory Approvals**) Approvals from all the relevant regulatory bodies including ACCC, ASIC and ASX that ILFML and DEXUS RE agree are required. ASX has agreed to grant the waivers and confirmations necessary to implement the Proposal. ASIC has agreed in principle to grant the relief (as applicable) necessary to implement the Proposal. DEXUS RE announced on 19 January 2016 that the Condition Precedent in respect of the ACCC had been satisfied. > (**Proposal approval**) IOF Unitholders approve the Proposal Resolutions by the requisite majorities on the Meeting Date. The Meeting to consider the Proposal Resolutions will be held at 10.00am on 8 April 2016 at the Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney NSW 2000. > (**Judicial Advice**) Receipt of the First Judicial Advice and the Second Judicial Advice. Second Judicial Advice will be sought on or about 12 April 2016. > (**Independent Expert**) The Independent Expert does not change its conclusion that the Proposal is in the best interests of Proposal Participants or withdraw its report prior to the Meeting. Status: Satisfied as at date of this Explanatory Memorandum. > (**Other Prescribed Events**) the following do not occur on or before 8.00am on the Meeting Date: – a temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition restraining or prohibiting the Proposal, enacted, enforced or issued by a Regulatory Authority, is in effect; – a material adverse change in relation to ILFML, being a negative impact (excluding mark to market movements relating to investment properties, financial derivatives, hedge accounted interest bearing liabilities and foreign exchange rates) on the net tangible assets of ILFML of at least $111 million or on recurring FFO of at least $9 million, other than customary limited exceptions, such as those events, changes, conditions, matters, circumstances or things agreed to by ILFML and DEXUS RE; – a material adverse change in relation to DEXUS, being a negative impact (excluding mark to market movements relating to investment properties, financial derivatives, hedge accounted interest bearing liabilities and foreign exchange rates) on the net tangible assets of the DEXUS of at least $324 million or on recurring FFO of at least $30 million, other than customary limited exceptions, such as those events, changes, conditions, matters, circumstances or things agreed to by ILFML and DEXUS RE; – a prescribed event in relation to IOF, such as a reduction of capital, insolvency, or capital expenditure, acquisition, disposal or development commitment in excess of $5 million (other than as agreed); and – a prescribed event in relation to DEXUS, such as a reduction of capital, insolvency, DEXUS RE ceases to be the responsible entity of DDF, DIT, DOT or DXO or any special distribution is announced or paid. Status: As at the date of this Explanatory Memorandum, neither ILFML nor DEXUS RE is aware of anything that will cause this Condition Precedent not to be satisfied.

Parties	DEXUS RE and ILFML
Conditions Precedent and status *(continued)*	> (**No termination**) Before 8.00am on the Meeting Date the Implementation Agreement has not been terminated. Status: As at the date of this Explanatory Memorandum, the Implementation Agreement has not been terminated. > (**Representations and warranties)** As at 8.00am on the Meeting Date, there is no unremedied breach of the representations and warranties given by ILFML and DEXUS RE under the Implementation Agreement and they remain true and correct in all material respects. Status: As at the date of this Explanatory Memorandum, neither ILFML nor DEXUS RE is aware of any material inaccuracies in its representations and warranties. > (**Recommendation of the Independent Directors**) The Independent Directors do not change their recommendation or support a Superior Proposal at or before the Meeting. Status: As at the date of this Explanatory Memorandum, the Independent Directors have not changed their recommendation to support a Superior Proposal. > (**Material breach**) Before 8.00am on the Meeting Date, ILFML and DEXUS RE have not breached any material provision of the Implementation Agreement that remains unremedied. Status: As at the date of this Explanatory Memorandum ILFML and DEXUS RE are not aware of any breach by either of them of any material provision of the Implementation Agreement. > (**Lodgement of the resolution**) ILFML lodges a copy of the special resolution amending the constitution with ASIC. > (**Closing certificates**) On or prior to 8.00am on the Meeting Date, the DEXUS RE and ILFML provide to each other certificates in the form agreed between the parties that, where appropriate, the conditions have been satisfied or waived. The Proposal will not become Effective unless all of these conditions are satisfied or waived (if applicable) in accordance with the Implementation Agreement. DEXUS RE and ILFML have agreed to use all reasonable endeavours to procure the satisfaction of the Conditions Precedent as soon as practicable after the date of the Implementation Agreement and that there is no occurrence that would prevent the Conditions Precedent being satisfied. The Conditions Precedent are set out in full in clause 3 and Schedule 3 of the Implementation Agreement.
Exclusivity	ILFML represented and warranted that the Independent Directors had ceased negotiations and/or discussions and at the date of the Implementation Agreement were not in negotiations or discussions in respect of any Competing Transaction with any other person. From the date of the Implementation Agreement to the earlier of the termination of the Implementation Agreement in accordance with its terms, the Effective Date and the End Date, ILFML must not, and must ensure that each of its Representatives does not directly or indirectly: > (**no shop**) solicit, invite, encourage or initiate (including by the provision of non-public information to any Third Party) any inquiry, expression of interest, offer, proposal or discussion by any person in relation to an actual, proposed or potential Competing Transaction; > (**no talk**) participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make an actual, proposed or potential Competing Transaction or accept or enter into any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Transaction. This is subject to a fiduciary carve-out; and > (**no due diligence**) disclose or otherwise provide any material non-public information about the business or affairs of ILFML to a Third Party (other than a Government Agency) with a view to obtaining an actual, proposed or potential Competing Transaction. This is subject to a fiduciary carve-out.

Parties	DEXUS RE and ILFML
Exclusivity *(continued)*	Provided that ILFML is otherwise complying with the above obligations as they relate to an Internalisation Proposal, Responsible Entity Acquisition or Management Platform Proposal, a change in ownership, either directly or indirectly, of the ILFML or the Management Platform and any consequences that arise as a result will not result in a breach of these provisions by ILFML or constitute an IOF Material Adverse Change (as defined in the Implementation Agreement). (**Notification of Competing Transaction**) From the date of the Implementation Agreement to the earlier of the termination of the Implementation Agreement in accordance with its terms, the End Date and the Effective Date ILFML must, as soon as possible, notify DEXUS RE in writing if it, or any of its Representatives, becomes aware of any: > discussions, approach or attempt to initiate discussions in relation to any actual, proposed or potential Competing Transaction; > proposal made to ILFML or any of its Representatives in connection with any exploration or completion of an actual, proposed or potential Competing Transaction; or > any provisions by ILFML or any of its Representatives of any non-public information concerning the business or operations of ILFML to a Third Party in connection with an actual, proposed or potential Competing Transaction. A notification given must include the identity of the Third Party and all the material terms and conditions relating to the actual or potential Competing Transaction. This provision is subject to a fiduciary carve-out. (**Matching right**) If ILFML receives: > an unsolicited approach with respect to a Competing Transaction which the Independent Directors believe is a Superior Proposal, or > an unsolicited approach with respect to a Competing Transaction for the purposes of the first bullet of the definition of Competing Transaction which the Independent Directors believe it should recommend that IOF Unitholders approve or ILFML takes any steps to implement a Competing Transaction, during the Exclusivity Period, DEXUS RE may either itself match, or procure a Controlled Entity of DEXUS RE to match, that Competing Transaction by giving written notice to ILFML within 3 Business Days after the notification of the Competing Proposal, or if no notification is given, by the end of the Exclusivity Period. The exclusivity arrangements are set out in full in clause 11 of the Implementation Agreement.
IBC recommendation	The IBC has resolved to unanimously recommend that IOF Unitholders vote in favour of the Proposal, to not withdraw or modify this recommendation and to not make any public statement to the effect, or take any other action that suggests, that the Proposal Resolutions are no longer recommended unanimously. An Independent Director must not modify or withdraw the IBC's recommendation and a new Independent Director will not make a different recommendation to the IBC's recommendation unless: > the Independent Expert opines in the Independent Expert's Report, or changes its previously given opinion, to one that the Proposal is not in the best interests of IOF Unitholders; > there is a Superior Proposal; or > the Independent Director has determined, after receiving written financial advice from ILFML's financial and legal advisers that the Independent Director, by virtue of his or her statutory and fiduciary duties is required to make a different recommendation or change, withdraw or modify his or her recommendation. The Independent Directors' obligations regarding the IBC's recommendation are set out in full in clause 8 of the Implementation Agreement.

Parties	DEXUS RE and ILFML
Termination rights	Either party may terminate the Implementation Agreement if: > (**lack of implementation**) the Proposal has not become Effective on or before the End Date; > (**material breach**) before 8.00am on the Meeting Date, the other party is in material breach of any clause of the Implementation Agreement taken in the context of the Proposal as a whole, provided that notice is given and the party has failed to remedy that breach within 5 Business Days after the time that notice is given (or any shorter period ending at 5.00pm on the Business Day before the Meeting Date); > (**not approved**) the Proposal Resolutions are not approved by the requisite majority at the Meeting; > (**restraint**) before 8.00am on the Meeting Date, a court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Proposal; > (**Independent Expert**) before 8.00am on the Meeting Date, the Independent Expert opines in its final report that the Proposal is not in the best interests of Proposal Participants; > (**agreement**) before 8.00am on the Meeting Date, the parties agree in writing to terminate the Implementation Agreement, or > (**matching rights**) DEXUS RE provides written notice that it does not wish to proceed with the Proposal in circumstances where it has determined not to exercise, or is unable to exercise, its matching rights pursuant to clause 11.6 of the Implementation Agreement; > (**non-fulfilment of Conditions Precedent**) if a Condition Precedent is not satisfied, or becomes incapable of being satisfied, by the required time and that Condition Precedent has not been waived, by the party for whose benefit the Condition Precedent is expressed. ILFML may terminate the Implementation Agreement if: > (**insolvency**) before 8.00am on the Meeting Date, DEXUS RE or any of its material Controlled Entities becomes Insolvent. DEXUS RE may terminate the Implementation Agreement if: > (**lack of support**) before 8.00am on the Meeting Date, any ILFML Independent Director does not make a recommendation or ceases or changes their recommendation to the IOF Unitholders that they vote in favour of the Resolutions; > (**lack of support**) ILFML takes material steps that would be required to implement a Competing Transaction; > (**insolvency**) before 8.00am on the Meeting Date, ILFML or any of its material Controlled Entities becomes Insolvent; or > (**acquisition of Relevant Interest**) a person directly or indirectly acquires, or has a right to acquire, a Relevant Interest in 19.9% or more of the IOF Units and that person has publicly stated that they will not vote their IOF Units in favour of the Proposal. The termination rights are set out in full in clause 14 of the Implementation Agreement.

Parties	DEXUS RE and ILFML
Reimbursement of costs	Subject to the limited exceptions below, ILFML must pay DEXUS RE $23.52 million if any of the following events occur: > any of the Independent Directors recommend a Competing Transaction, do not recommend or cease recommending the Proposal or take material steps that would be required to implement an Internalisation Proposal except in circumstances where the Independent Expert concludes that the Proposal is not in the best interests of the IOF Unitholders (except where the Independent Expert reaches that conclusion as a result of a Competing Transaction having been announced or made public); > a Competing Transaction substantially completes within the period from the date of the Implementation Agreement to the date that falls six months after the End Date provided that in the case of an Internalisation Proposal, it completes within the period that is 3 months from the earlier of the date of the vote of IOF Unitholders on the Proposal or the End Date; or > the Implementation Agreement is terminated because ILFML is in material breach of its terms. The reimbursement fee will not be payable by ILFML where any of the following apply: > the Competing Transaction is a potential Internalisation Proposal, Responsible Entity Acquisition or Management Proposal that is notified to DEXUS RE prior to the termination of the Process Deed; > the Competing Transaction is a Management Proposal that is not an Internalisation Proposal in circumstances in which the Independent Directors have neither recommended the IOF Unitholders approve the Management Proposal nor taken any steps to implement the Management Proposal; > the Proposal is implemented, notwithstanding that any of the directors of ILFML recommend a Competing Transaction; > if at the earlier of the date the Implementation Agreement terminates and the End Date, ILFML is entitled to terminate the Implementation Agreement in circumstances in which DEXUS RE is in material breach of it; or > merely by reason that the Proposal is not approved by IOF Unitholders at the Meeting. Except in relation to payment of the Proposal Consideration and to the extent otherwise determined by a court, tribunal or the Takeovers Panel, both ILFML and DEXUS RE's total liability under the Implementation Agreement is capped at the amount of the reimbursement fee (other than, in the case of ILFML's liability, any remedy that takes the form of an order to comply with the Implementation Agreement or that prohibits an action that would or may breach the Implementation Agreement). The reimbursement of costs arrangements are set out in full in clause 12 of the Implementation Agreement.
Conduct of business	ILFML has obligations applying from the date of the Implementation Agreement up to and including the Implementation Date with respect to conduct of the business of the IOF Group. ILFML is obliged to procure that all members of the IOF Group, amongst other things: > conduct the business of the IOF Group in the ordinary and proper course and in substantially the same manner as previously conducted before the date of the Implementation Agreement; and > acting reasonably, preserve materially the relationship with suppliers, lessees, licensors, joint venturers and others having business dealings with the IOF Group. Further, ILFML must not take any action which would be reasonably expected to give rise to a prescribed event in relation to ILFML other than with the prior approval of DEXUS RE. The conduct of business obligations that apply to ILFML are set out in full in clause 9 of the Implementation Agreement.
Representations and warranties	Each of ILFML and DEXUS RE has given representations and warranties to the other which are customary for an agreement of this kind. The representations and warranties given by ILFML and Bidder are set out in full in Schedule 7 and Schedule 8 respectively of the Implementation Agreement.

14.4 Deemed warranty on transfer of IOF Units to DEXUS RE

Under clause 6.1(b) of the Proposal Terms, Proposal Participants are taken to have warranted to ILFML and DEXUS RE, and have appointed and authorised ILFML to warrant, to DEXUS RE, that:

a. all their IOF Units (including any rights and entitlements attaching to them) will, as at the date of transfer to the Bidder:
    1. be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and
    2. be free from any restrictions on transfer of any kind, and

b. they have full power and capacity to sell and to transfer their IOF Units to the Bidder under the Proposal together with any rights attaching to them.

14.5 Deemed consent for other incidental actions

Under clause 7 of the Proposal Terms each Proposal Participant will be deemed to have appointed DEXUS RE as attorney and agent (and directed DEXUS RE in each such capacity) to appoint any director, officer, secretary or agent nominated by DEXUS RE as its sole proxy and, where applicable or appropriate, corporate representative to attend unitholder meetings, exercise the votes attaching to IOF Units registered in their name and sign any unitholder resolution. Further, each IOF Unitholder consents to ILFML doing all things necessary or incidental to the implementation of the Proposal.

14.6 Regulatory consents

a. ASX

ILFML has applied for, and ASX has granted, confirmation that it does not object to the proposed amendments to the IOF Constitution or the Explanatory Memorandum under ASX Listing Rule 15.1.

DEXUS RE has applied for, and ASX has granted, a waiver from Listing Rule 7.1 in respect of the issue of new DEXUS Securities as consideration under the Proposal.

b. ASIC

ILFML and DEXUS RE have applied for, and ASIC has in principle granted:

1. a modification to the Corporations Act to enable all Proposal Participants (other than those excluded from voting) to vote on the Proposal Resolutions pursuant to item 7 of section 611 of the Corporations Act;
2. an exemption in favour of ILFML, Bidder and DEXUS RE under Division 2 of Part 7.7 of the Corporations Act from the requirement to provide a financial services guide in connection with this Explanatory Memorandum;
3. ILFML relief from Section 601FC(1)(d) of the Corporations Act to the extent necessary for Ineligible Overseas Unitholders not to receive new DEXUS Securities under the Proposal; and
4. an exemption from, any requirement for DEXUS RE or Bidder to comply with Division 5A of Part 7.9 of the Corporations Act in relation to the proposed offer to acquire IOF Units under the Proposal;
5. DEXUS RE and Bidder an exemption from section 1012B of the Corporations Act in relation to the requirement to prepare a product disclosure statement in respect of the new DEXUS Securities to be issued under the Proposal; and
6. an exemption from section 1012C of the Corporations Act in relation to the requirement that a Proposal Participant of the Sale Agent issue a product disclosure statement before on-selling DEXUS Securities issued under the Proposal.

c. ACCC

The ACCC has advised DEXUS RE in writing that it does not intend to conduct public consultations in relation to the Proposal – that is, it does not intend to oppose the Proposal.

14.7 Summary of First Judicial Advice

At the First Judicial Advice hearing on 8 March 2016, the Court made orders that:

- ILFML would be justified in:
    - convening a meeting of IOF Unitholders to consider, and if thought fit, approve the Proposal Resolutions;
    - distributing the Explanatory Memorandum; and
    - proceeding on the basis that the proposed amendments to the IOF Constitutions would be within the powers of alteration conferred by section 601GC of the Corporations Act;
- ILFML's costs arising out of and incidental to obtaining the First Judicial Advice and Second Judicial Advice be paid out of the assets of the AJO Fund and PCP Trust respectively pursuant to ILFML's right of indemnity; and
- the Second Judicial Advice hearing will take place at 10am on Tuesday, 12 April 2016. Any IOF Unitholder who wishes to oppose the proposed amendments to the IOF Constitutions and ILFML effecting the Proposal may do so by:
    - prior to the Second Judicial Advice hearing, filing with the Court and serving on ILFML a notice of appearance in the prescribed form together with any affidavit the IOF Unitholder proposes to rely on; and
    - appearing at the Second Judicial Advice hearing.

14.8 Consents

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

1. DEXUS RE and Bidder;
2. KPMG Corporate Finance as the Independent Expert;
3. PwCS as the Investigating Accountant;
4. Greenwoods & Herbert Smith Freehills Pty Limited in relation to the Taxation Report;
5. Link Market Services Limited as IOF's security registrar;
6. Macquarie Capital (Australia) Limited and Fort Street Advisers Pty Limited respectively as IOF's financial advisers;
7. JLL; and
8. Herbert Smith Freehills as IOF's legal adviser.
9. DEXUS RE has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of the DEXUS Information, and the references to that information in the form and context in which it is included in this Explanatory Memorandum.
10. DEXUS RE has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of the Merged Group Information, and references to that information in the form and context in which it is included in this Explanatory Memorandum, except to the extent that ILFML has provided the information concerning IOF, for which IOF is responsible.
11. KPMG Corporate Finance as Independent Expert has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of the Independent Expert's Report in Attachment 2 of this Explanatory Memorandum and references to the Independent Expert's Report in the form and context in which they are included in this Explanatory Memorandum.
12. PwCS as Investigating Accountant has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of the Investigating Accountant's Report in Attachment 3 and references to that report in the form and context in which they are included in this Explanatory Memorandum.
13. Greenwoods & Herbert Smith Freehills Pty Limited has prepared the Taxation Report and has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of that report in Section 13 of this Explanatory Memorandum and references to that report in the form and context in which they are included in this Explanatory Memorandum.
14. Other than as specifically outlined above, each party referred to in this Section 14.8 of this Explanatory Memorandum has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based and takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name.

14.9 Supplementary information

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

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

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

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

14.10 No other information

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

15

GLOSSARY AND INTERPRETATION

15.1 Definitions

In this Explanatory Memorandum unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
A-Grade	has the meaning given in the PCA's '*A Guide to Office Building Quality*', and other grades such as 'B-Grade' are similarly given the meaning given in the PCA's '*A Guide to Office Building Quality*'.
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
ACCC	Australian Competition and Consumer Commission.
AFFO	"adjusted funds from operations" calculated in line with the PCA's definition and comprises FFO and adjusted for: maintenance capex, incentives (including rent free incentives) given to tenants during the period and other non-cash items which have not been adjusted in determining FFO.
AJO Fund	Armstrong Jones Office Fund (ARSN 090 242 229).
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12 of the Corporations Act.
ASX	ASX Limited or Australian Securities Exchange, as appropriate.
ASX Settlement Operating Rules	the official settlement operating rules of ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.
ATO	the Australian Taxation Office.
Available Cash Consideration	the amount of cash determined by subtracting from the Total Cash Pool the aggregate amount of cash consideration payable by the Bidder to Proposal Participants who elect, or are deemed to elect, the Standard Consideration.
Available Scrip Consideration	the amount of DEXUS Securities determined by subtracting from the Total Scrip Pool the aggregate number of DEXUS Securities to which Proposal Participants who elect, or are deemed to have elected, Standard Consideration are entitled under the Proposal.
Bank	has the meaning given to it in Section 9.3(b) of this Explanatory Memorandum.
basis points	a unit of measure for interest rates and other percentages where one basis point is equal to 1/100th of 1%, or 0.01% (0.0001).
Bidder	DEXUS Funds Management Limited as responsible entity of DOT and DWML as trustee of DOT IOF Sub-Trust.
Business Day	a day not being a Saturday, Sunday or a public holiday in Sydney, New South Wales.
Cash Component	for every IOF Unit, a cash payment of $0.8229.
CBD	central business district.
CEO	chief executive officer.
CFO	chief financial officer.
CGT	Australian capital gains tax.

Term	Meaning
CHESS	the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
Competing Transaction	> any Internalisation Proposal, Responsible Entity Acquisition or Management Platform Proposal; or > any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associate which for these purposes does not include Investa Listed Funds Management Limited) would: – directly or indirectly acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 50% or more of IOF Units; – acquire Control of IOF; – directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or substantially all of IOF's business or assets or the business or assets of IOF; – otherwise directly or indirectly acquire or merge or be stapled with IOF; – require ILFML to abandon, or otherwise fail to proceed with, the Proposal; or – be appointed as or own, or be entitled to control or own, the responsible entity of IOF, whether by way of takeover bid, scheme, trust scheme, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement. For the avoidance of doubt, if any proposal, agreement, arrangement or transaction could fall within the first or second bullets above, then it will be taken to fall within the first bullet and not the second bullet.
Conditions Precedent	the conditions to the implementation of the Proposal summarised in Sections 5.2 and 14.3 of this Explanatory Memorandum.
Control	has the meaning given by section 50AA of the Corporations Act.
Controlled Entity	in relation to any Entity, another entity which is a Subsidiary of it, or which is Controlled by it.
COO	chief operating officer.
Corporations Act	the *Corporations Act 2001* (Cth).
Court	the Supreme Court of New South Wales or such other court of competent jurisdiction agreed to in writing by ILFML and DEXUS RE.
CPA	Commonwealth Property Office Fund.
CPA Offer	the takeover bid that DXFM in its capacity as trustee of DEXUS Office Trust Australia made on behalf of DEXUS and CPPIB for all of the units in CPA.
CPPIB	Canada Pension Plan Board.
DDF	DEXUS Diversified Trust (ARSN 089 324 541).
DDF Unit	an ordinary unit in DDF.
DDF Unitholder	a holder of a DDF Unit.
Deed Poll	the Deed Poll in the form attached as Attachment 6 to this Explanatory Memorandum.
DEXUS	DEXUS RE, DDF, DIT, DOT, DXO and their Controlled Entities collectively.
DEXUS Constitutions	the constitutions of DDF, DIT, DOT and DXO.
DEXUS Financial Information	has the meaning given to it in Section 8.5 of this Explanatory Memorandum.

Term	Meaning
DEXUS Information	the information provided by DEXUS RE for inclusion in this Explanatory Memorandum and for which DEXUS RE is responsible, being Section 7 of this Explanatory Memorandum (Profile of the Bidder) and Section 8 of this Explanatory Memorandum (Profile of DEXUS) and any references to the information in the above in the form and context in which they are included in the Explanatory Memorandum.
DEXUS look-through gearing	total interest bearing liabilities divided by total tangible assets. Total interest bearing liabilities excludes deferred borrowing costs and includes the impact of foreign currency fluctuations of cross currency swaps. Total tangible assets comprise total assets less intangible assets, derivatives and deferred tax balances. Gearing metric is adjusted for cash and for debt in equity accounted investments.
DEXUS RE	DEXUS Funds Management Limited (ABN 24 060 920 783) in its capacity as responsible entity of DDF, DIT, DOT and DXO collectively.
DEXUS RE Board	the board of directors of DEXUS RE.
DEXUS RE Directors	the directors of DEXUS RE.
DEXUS Reference Price	the 10 day volume-weighted average price of DEXUS Securities as at the close of trading on 4 December 2015, being $7.76360074465386.
DEXUS Register	the register of DEXUS Securityholders maintained by the DEXUS Registry in accordance with the Corporations Act.
DEXUS Registry	Link Market Services Limited (ACN 083 214 537).
DEXUS Securities	ASX-listed stapled securities consisting of one unit in each of DDF, DIT, DOT and DXO. Also referred to as **DEXUS Property Group Securities** in Attachment 5 and Attachment 6.
DEXUS Securityholders	each person who is registered as the holder of a DEXUS Security in the DEXUS Register (at the relevant time).
DPS	Distribution per security.
DIT	DEXUS Industrial Trust (ARSN 090 879 137).
DIT Unit	an ordinary unit in DIT.
DIT Unitholder	a holder of a DIT Unit.
DOT	DEXUS Office Trust (ARSN 090 768 531).
DOT Unit	an ordinary unit in DOT.
DOT Unitholder	a holder of a DOT Unit.
DWML	DEXUS Wholesale Management Limited (ABN 56 159 301 907).
DWPF	DEXUS Wholesale Property Fund.
DWPL	DEXUS Wholesale Property Limited (ABN 47 006 036 442).
DXFM	DEXUS Funds Management Limited (ABN 24 060 920 783).
DXO	DEXUS Operations Trust (ARSN 110 521 223).
DXO Unit	an ordinary unit in DXO.
DXO Unitholder	a holder of a DXO Unit.
Effective	when the Proposal comes into effect, which will be on the Business Day after the Second Judicial Advice Date or such other date as ILFML and DEXUS RE agree in writing.
Effective Date	the date on which the Proposal becomes Effective (expected to be 13 April 2016).

Term	Meaning
Electing Minimum Holder	a Minimum Holder who elects to have the DEXUS Securities that it would receive under the Proposal sold through the Sale Facility.
Election	the election described in the Election Form.
Election Date	the last date on which IOF Unitholders can make a valid election in accordance with this Explanatory Memorandum and the Election Form, being the date which is 5 Business Days after the Effective Date or such other date as ILFML and DEXUS RE agree in writing (expected to be 19 April 2016).
Election Form	the election form provided with this Explanatory Memorandum under which each IOF Unitholder may elect to receive either Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration in respect of all of their IOF Units and Minimum Holders may elect to participate in the Sale Facility.
Eligible IOF Unitholder	a Proposal Participant who is not an Ineligible Overseas Unitholder.
End Date	30 June 2016 or another date agreed in writing by DEXUS RE and ILFML.
Entity	includes a natural person, a body corporate, a partnership, a trust and the trustee of a trust.
Exclusivity Period	the period from and including the date of the Implementation Agreement to the earlier of: > the termination of the Implementation Agreement in accordance with its terms; > the End Date; or > the Effective Date.
Explanatory Memorandum	this explanatory memorandum, including the attachments to it.
First Judicial Advice	the confirmation obtained by ILFML from the Court confirming, amongst other things, that ILFML would be justified in convening the meeting.
First Judicial Advice Date	the date on which the First Judicial Advice was received.
Flow-Through Trusts	DIT, DOT, DDF and their relevant subsidiary trusts.
Funds from Operations (or FFO)	IOF and DEXUS determine FFO in accordance with the PCA definition of FFO. FFO comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and foreign exchange mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees and coupon income. Underlying FFO comprises Funds from Operations excluding Trading Profits (net of tax).
FUM	funds under management.
FY16	2016 financial year (and the same rule applies for other financial years referred to in this Explanatory Memorandum).
Free Cash Flow	cash flow from operating activities per financial statements adjusted for cash movements in inventory book values, capitalised interest, distributions from equity accounted investments and payments for maintenance capex and incentives.
George Street Co-owner Agreement	the co-ownership agreement accession deed between IOF Custodian Pty Limited, ILFML and others in relation to 388 George Street, Sydney.
Government Agency	any government or governmental, semi-governmental, administrative, political, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government of any country.
GST	Australian goods and services tax.
IBC	the independent board committee established by the ILFML Board and which has considered the Proposal and consisting at the date of the Implementation Agreement of Deborah Page, Peter Dodd and Peter Rowe.

Term	Meaning
ICPF	the registered managed investment scheme known as Investa Commercial Property Fund (ARSN 103 041 505) of which IWFML is the responsible entity.
IFRS	International Financial Reporting Standards.
ILFML	Investa Listed Funds Management Limited (ACN 149 175 655) in its capacity as responsible entity of IOF or any replacement of it from time to time. Also referred to as **Target RE** in Attachment 5 and Attachment 6.
ILFML Board	the board of directors of ILFML or a committee of that board.
Implementation Agreement	the implementation agreement dated 18 December 2015 between ILFML and DEXUS RE relating to the implementation of the Proposal and summarised in Section 14.3 of this Explanatory Memorandum and that was released in full to ASX on 18 December 2015, which is referred to as the Implementation Deed in the Proposal Terms. Also referred to as the **Implementation Deed** in Attachment 5 and Attachment 6.
Implementation Date	the date that the Proposal is implemented, being the fifth Business Day following the Record Date or such other date as ILFML and DEXUS RE agree in writing (expected to be 29 April 2016).
Implied Announcement Value	$4.1147 per IOF Unit.
Independent Directors	the members of the IBC established by the ILFML Board and which has considered the Proposal and consisting at the date of this document of Deborah Page, Peter Dodd and Peter Rowe.
Independent Expert	KPMG Corporate Finance.
Independent Expert's Report	the report in respect of the Proposal prepared and issued by the Independent Expert for inclusion in the Explanatory Memorandum (or any update or variation to that report). A copy of the Independent Expert's Report is contained in Attachment 2 of this Explanatory Memorandum.
Ineligible Overseas Unitholders	a Proposal Participant whose address as shown in the IOF Register on the Record Date is a place outside Australia and its external territories and New Zealand unless Bidder determines that it is lawful and not unduly onerous or impracticable to issue the Proposal Participant with new DEXUS Securities when the Proposal is implemented.
Internalisation Proposal	a proposal to internalise management of IOF, which may include ILFML (or a replacement responsible entity or a company the shares in which are or are intended to be stapled to IOF Units) directly or indirectly acquiring an interest in any of the shares in ILFML (or a replacement responsible entity) or in any of the entities that provide investment property or asset management services to ILFML in respect of IOF or any transaction or arrangement that has an economically similar result.
Investa Implementation Deed	the implementation deed between ILFML, IOMH and IPGH dated December 2012 and amended 8 September 2015.
Investa Office Management Platform	IOM (the owner of all the shares in ILFML) and the business operated by it and its subsidiaries of executing the strategy of the IOF Group by appointing personnel and providing asset and property management services to the IOF Group's investment property portfolio.
Investa Property Group	the group of Entities which own the Investa Office Management Platform and used to own the Investa land business.
Investa Property Trust	the portfolio of Australian office assets previously owned by Investa Property Group prior to their sale to the China Investment Corporation as part of Morgan Stanley's sale of Investa Property Group (also referred to as **IPT**).
Investigating Accountant	PwCS.
Investigating Accountant's Report	the report in respect of the Proposal prepared and issued by the Investigating Accountant for inclusion in the Explanatory Memorandum (or any update or variation to that report). A copy of the Investigating Accountant's Report is contained in Attachment 3 of this Explanatory Memorandum.
IOF	Investa Office Fund, which comprises the AJO Fund and the PCP Trust.

Term	Meaning
IOF Constitutions	the constitutions of the AJO Fund and PCP Trust from time to time and IOF Constitution means both or either of them (as the context requires).
IOF Debt Facilities	IOF's debt facilities, medium term note programme and USPP.
IOF Group	IOF and each of its and each of its Controlled Entities (which, for this purpose, is a reference to an Entity that is a Controlled Entity of ILFML by reason of the fact that ILFML is the responsible entity of IOF and **IOF Group Member** means any member of the IOF Group.
IOF look-through gearing	total look-through debt divided by total look through assets. Total look-through debt is based on the Australian dollar exposure of the USPPs after applying cross currency hedging arrangements. Total look-through assets comprise total assets adjusted for fair value of foreign currency derivative assets. IOF look-through gearing is calculated on a look-through basis, in which IOF's interest in joint ventures arrangements and associates are proportionately consolidated based on IOF's ownership interest.
IOF Register	the register of IOF Unitholders of IOF maintained by the IOF Registry in accordance with the Corporations Act. Also referred to as the **Register** in Attachment 5 and Attachment 6.
IOF Registry	Link Market Services Limited (ACN 083 214 537).
IOF Unit	a stapled security in IOF consisting of one unit in the AJO Fund and one unit in the PCP Trust. Also referred to as a **Securityholder** in Attachment 5 and Attachment 6.
IOF Unitholder	each person who is registered as the holder of an IOF Unit in the IOF Register (at the relevant time). Also referred to as a **Securityholder** in Attachment 5 and Attachment 6.
IOM	Investa Office Management Pty Ltd (ACN 161 354 016).
IOMH	Investa Office Management Holdings Pty Ltd (ACN 126 219 903).
IPGH	Investa Property Group Holdings Pty Limited (ACN 125 612 419).
IRR	internal rate of return.
ISDA	international Swaps and Derivatives Association.
IWFML	Investa Wholesale Funds Management Limited (ACN 149 681 390, AFSL 401858).
JLL	Jones Lang LaSalle (NSW) Pty Ltd (ACN 002 851 925).
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Limited (ACN 007 363 215).
Listing Rules	the official listing rules of ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.
Loan Facility Agreements	has the meaning given to it in Section 9.3(b) of this Explanatory Memorandum.
LTIP	the DEXUS Long Term Incentive Plan.
Management Deed	the management deed between ILFML and IOM dated 25 September 2014.
Management Platform Proposal	any proposal that involves a change in ownership of the 'Management Platform' as that term, and the related proposal, are described on page 90 of IOF's Financial Report for the financial year ended 30 June 2015.
Maximum Cash Consideration	has the meaning given to it in Section 5.3(b) of this Explanatory Memorandum.
Maximum Cash Election	an election validly made by a IOF Unitholder in an Election Form to receive Maximum Cash Consideration.

Term	Meaning
Maximum Scrip Consideration	has the meaning given to it in Section 5.3(c) of this Explanatory Memorandum.
Maximum Scrip Election	an election validly made by a IOF Unitholder in an Election Form to receive Maximum Scrip Consideration.
Meeting	the extraordinary general meeting of IOF Unitholders convened by the Notice of Meeting attached to this Explanatory Memorandum.
Meeting Date	the date on which the Meeting is held.
MER	insofar as it relates to DEXUS and the Merged Group, means DEXUS Group and asset management costs divided by DEXUS FUM (balance sheet only) where DEXUS Group and asset management costs are the costs associated with managing DEXUS FUM and a listed group.
Merged Group	DEXUS and its Controlled Entities, immediately after implementation of the Proposal (which, for the avoidance of doubt, will include IOF).
Merged Group Information	the information provided by DEXUS RE for inclusion in this Explanatory Memorandum and for which DEXUS RE is responsible, being: 1. Section 9 (Profile of the Merged Group) of this Explanatory Memorandum; and 2. Section 10 (Financial Information of Merged Group) of this Explanatory Memorandum, other than any information which ILFML has provided concerning IOF or that is included in, or was used in the preparation of the Merged Group Information, including the Pro Forma Financial Information (including in any assumptions) for which IOF is responsible.
Minimum Holder	an IOF Unitholder who is entitled to receive a parcel of DEXUS Securities under the terms of the Proposal with a value of less than $500 (calculated as at the close of trading on the Effective Date).
MIS	managed investment scheme.
MIT	managed investment trust.
Morgan Stanley	Morgan Stanley Real Estate Investing.
Morgan Stanley Sale Process	the meaning given in Section 4.2(a) of this Explanatory Memorandum.
MTN	medium term notes.
NABERS	National Australian Built Environment Rating System. A NABERS energy rating goes from 1 (meaning that the building has considerable scope for improvement) to 6 (meaning the building demonstrates market-leading performance).
Net Lettable Area	total lettable floor area less common areas, in square metres, also referred to as **NLA**.
Notice of Meeting	the notices of meeting relating to the Proposal Resolutions which are contained in Attachment 4.
NPI	gross rental income less property expenses.
NRV	net realisable value.
NTA	net tangible asset value per security.
PCA	Property Council of Australia
PCP Trust	Prime Credit Property Trust (ARSN 089 849 196).
Piccadilly Complex	133 Castlereagh Street, 210 Pitt Street & 222 Pitt Street Sydney.
Platform Sale	the conditional transaction announced by IWFML on 22 February 2016 to purchase all of the shares in IOMH where the acquisition would be made by a new company to be stapled to ICPF.
Post Implementation Steps	has the meaning given in Section 9.3(b) of this Explanatory Memorandum.
Premium Grade	has the meaning given in the PCA's 'A Guide to Office Building Quality'.
Prime Grade	means Premium Grade or A-Grade assets.

Term	Meaning
Pro Forma Consolidated Forecast of Underlying Funds from Operations	the pro forma consolidated forecast of Underlying Funds from Operations for the Merged Group for the year ending 30 June 2016.
Pro Forma Consolidated Statement of Financial Position	the pro forma consolidated statement of financial position of the Merged Group as at 31 December 2015.
Pro Forma Financial Information	the meaning given in Section 10.1 of this Explanatory Memorandum.
Process Deed	the Process Deed dated 7 December 2015 between ILFML and DEXUS RE.
Property Management Arrangements	> in respect of wholly-owned properties in the IOF portfolio, the property services provided in respect of each property and the project management services provided in relation to 12 of the 15 wholly-owned properties; and > in respect of co-owned properties, the property services provided in respect of each co-owned property either by a subsidiary of IOM or another property manager appointed by the relevant co-owners.
Proposal	the arrangement, the detailed terms of which are substantially set out in Attachment 5, under which the Bidder acquires all of the IOF Units from the Proposal Participants by way of a trust scheme to be implemented in accordance with Guidance Note 15, facilitated by amendments to the IOF Constitution and a resolution pursuant to section 611 item 7 of the Corporations Act.
Proposal Consideration	for each IOF Unit held by a Proposal Participant as at the Record Date: > the Standard Consideration in respect of the IOF Units held by a Proposal Participant on the Record Date; > the Maximum Cash Consideration; or > the Maximum Scrip Consideration, in accordance with the terms of the Proposal.
Proposal Participants	each person who is an IOF Unitholder at the Record Date.
Proposal Resolutions	the resolutions to be considered at the Meeting, as set out in the Notice of Meeting.
Proposal Terms	the proposal terms attached as Attachment 5 to this Explanatory Memorandum.
Proxy Form	the proxy form for the Meeting accompanying this Explanatory Memorandum.
PwCS	PricewaterhouseCoopers Securities Ltd (ACN 003 311 617).
Record Date	5.00pm on the sixth Business Day following the Effective Date, or such other date as ILFML and DEXUS RE agree in writing (expected to be 21 April 2016).
REIT	real estate investment trust.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	any person acting for or on behalf of a party including any Controlled Entity or any director, officer, employee, agent or professional adviser of a party or a Controlled Entity. For the avoidance of doubt: > the references to ILFML as a party mean Investa Listed Funds Management Limited solely in its capacity as responsible entity of the IOF; and > any property or investment management advisers or agents of the IOF or ILFML are not a Representative of ILFML.

Term	Meaning
Responsible Entity Acquisition	any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associate which for these purposes does not include Investa Listed Funds Management Limited) would: > directly or indirectly acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 50% or more of ILFML; > acquire Control of ILFML; > directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or substantially all of ILFML's business or assets or the business or assets of ILFML; or > otherwise directly or indirectly acquire or merge or be stapled with ILFML.
Return on Equity	is calculated as the growth in NTA plus the distribution paid/payable per security divided by the opening NTA.
S&P	Standard & Poor's.
S&P/ASX 100 Index	S&P's index of the largest 100 vehicles listed on ASX by market capitalisation.
S&P/ASX 200 Australian REIT Index	S&P's index of Australian REITs listed on ASX.
Sale Agent	a person appointed by DEXUS RE to act as the sale agent for the purposes of the Sale Facility.
Sale Facility	the facility established for the sale of DEXUS Securities on behalf of Ineligible Overseas Unitholders and Electing Minimum Holders as described in Section 5.3(f) of this Explanatory Memorandum.
Sale Securities	the meaning that term has in section 5.3(f) of this Explanatory Memorandum.
Scrip and Cash Consideration	the Scrip Component and the Cash Component.
Scrip Component	for each IOF Unit, 0.4240 DEXUS Securities.
Scrip Equivalent of the Implied Offer Number	the Implied Announcement Value divided by the DEXUS Reference Price, being 0.529998918714805.
Second Judicial Advice	the confirmation obtained by ILFML from the Court confirming, amongst other things, that ILFML would be justified in proceeding to implement the Proposal.
Second Judicial Advice Date	the date on which the Second Judicial Advice is obtained (expected to be 11 April 2016).
sqm	square metre.
Standard Consideration	the Scrip and Cash Consideration.
Stapling	the stapling of units in two or more separate trusts so that those may not be traded separately and are quoted together on ASX.
Stapling Transaction	has the meaning given to that term in Section 8.2 of this Explanatory Memorandum.
STIP	the DEXUS Short Term Incentive Plan.
Subsidiary	as given in the Corporations Act, but so that: > an Entity will also be taken to be a Subsidiary of another Entity if it is controlled by that Entity (as 'control' is defined in section 50AA of the Corporations Act) but disregarding section 50AA(4); > a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and > an Entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.

Term	Meaning
Superior Proposal	a bona fide Competing Transaction (and not resulting from a breach by ILFML of its obligations under clause 11 of the Implementation Agreement (exclusivity), it being understood that any actions by the Representatives of ILFML in breach of clause 11 of the Implementation Agreement will be deemed to be a breach by the IOF) which the Independent Directors, acting in good faith, and after receiving written legal advice from its legal adviser (who must be a reputable legal adviser experienced in transactions in the nature of the transactions contemplated by this agreement) and written advice from its financial adviser, determine: > is reasonably capable of being valued and completed taking into account all aspects of the Competing Transaction including any timing considerations, any conditions precedent and the identity of the proponent; and > would, if completed substantially in accordance with its terms, be more favourable to IOF Unitholders (as a whole) than the Proposal taking into account all terms and conditions of the Competing Transaction.
Target	IOF.
Taxation Report	the report prepared by Greenwoods & Herbert Smith Freehills Pty Limited dated 9 March 2016 set out in Section 13 of this Explanatory Memorandum.
Third Party	a person other than DEXUS Funds Management Limited (whether in its capacity as responsible entity of DDF, DIT, DOT DXO or otherwise) and its Associates. For the purposes of this definition, Investa Listed Funds Management Limited will not be taken to be an Associate of DEXUS Funds Management Limited.
Third Party Funds Management	DEXUS's third party funds management business through which it provides investment management services to Third Party clients. These services are provided under discrete investment mandates through joint venture trusts and to diversified funds in which Third Party clients invest.
Total Cash Pool	$505,299,653.1882.
Total Scrip Pool	260,358,754.748731 DEXUS Securities.
Trading Profits	proceeds from the sale of inventory less cost of sales of inventory.
Trust Account	the trust account nominated by ILFML, the details of which must be notified in writing to DEXUS RE at least 5 Business Days before the Implementation Date.
Trust Acquisition Resolution	has the meaning given in Resolution 1 in the Notice of Meeting and is summarised in Section 5.4(a) of this Explanatory Memorandum.
Trust Constitution Amendment Resolution	has the meaning given in Resolution 2 in the Notice of Meeting and is summarised in Section 5.4(b) of this Explanatory Memorandum.
Underlying Funds from Operations	FFO excluding Trading Profits (net of tax), also referred to as **Underlying FFO**.
U.S.	United States of America.
U.S. Person	any US person as such term is defined in Regulation S under the U.S. Securities Act.
USPP	US private placement.
U.S. Securities Act	U.S. Securities Act 1933, as amended.
Voting Record Date	the time and date for determining eligibility to vote at the Meeting (expected to be 7.00pm Wednesday, 6 April 2016).
VWAP	volume weighted average price.
WALE	weighted average lease expiry.
1HY16	6 month period ending 31 December 2015.
2HY16	6 month period ending 30 June 2016.

15.2 Interpretation

In this Explanatory Memorandum, unless the context otherwise appears:

a. words and phrases have the same meaning (if any) given to them in the Corporations Act;

b. words importing a gender include any gender;

c. words importing the singular include the plural and vice versa;

d. an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

e. a reference to a clause, attachment or schedule is a reference to a clause of and an attachment and schedule to this Explanatory Memorandum as relevant;

f. a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;

g. headings and bold type are for convenience only and do not affect the interpretation of this Explanatory Memorandum;

h. a reference to time is a reference to time in Sydney, Australia;

i. a reference to writing includes facsimile transmissions; and

j. a reference to dollars, $, A$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

Attachment 1

ASX ANNOUNCEMENTS BY DEXUS FROM 12 AUGUST 2015 (THE DATE ON WHICH DEXUS RELEASED ITS ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2015)

A list of ASX announcements DEXUS has released since the presentation on 12 August 2015 of its annual financial results for the year ended 30 June 2015 is set out below. The information may be relevant to your assessment of the Proposal.

No.	Date	Announcement title
1	29 February 2016	Becoming a substantial holder
2	29 February 2016	31 December 2015 distribution
3	17 February 2016	Appointment of Company Secretary
4	17 February 2016	HY16 Results Presentation
5	17 February 2016	Update – Dividend/Distribution - DXS
6	17 February 2016	HY16 Results Release and Review
7	17 February 2016	Appendix 4D and Financial Statements as at 31 December 2015
8	11 February 2016	DEXUS and DWPF acquire North Sydney office development site
9	19 January 2016	IOF Scheme Update – ACCC approval received
10	18 December 2015	DEXUS & IOF enter into Implementation Agreement presentation
11	18 December 2015	DEXUS and IOF enter into Implementation Agreement
12	18 December 2015	IOF: IOF and DEXUS enter into Implementation Agreement
13	17 December 2015	Distribution details for the six months to 31 December 2015
14	17 December 2015	Dividend/Distribution – DXS
15	11 December 2015	Significant increase in valuations across the DXS portfolio
16	7 December 2015	IOF: Process Agreement – proposal to acquire all units in IOF
17	7 December 2015	IOF: Proposal to acquire all units in IOF
18	7 December 2015	DEXUS and IOF agree process and terms for merger
19	20 November 2015	Change in substantial holding
20	18 November 2015	Morgan Stanley 14th Annual Asia Pacific Summit presentation
21	13 November 2015	Settlement of 36 George Street Burwood
22	2 November 2015	On-market buy-back and cancellation of securities
23	30 October 2015	Appendix 3Z
24	30 October 2015	Appendix 3Y
25	30 October 2015	Appendix 3Y
26	28 October 2015	2015 Annual General Meeting results
27	28 October 2015	2015 Annual General Meeting
28	28 October 2015	Sale of Erskine Park to contribute to FY17 Trading Profits
29	22 October 2015	September 2015 quarter portfolio update and office tour
30	21 October 2015	ASX Investor Series presentation
31	6 October 2015	Changes to Executive General Management team
32	1 October 2015	On-market buy-back and cancellation of securities
33	1 October 2015	SGP: Stockland settles sale of Waterfront Place
34	1 October 2015	Settlement of Waterfront Place Complex, Brisbane
35	1 October 2015	Appendix 3E

No.	Date	Announcement title
36	30 September 2015	Daily share buy-back notice – Appendix 3E
37	29 September 2015	Sale of 36 George Street, Burwood, at premium to book value
38	24 September 2015	Appendix 3E
39	23 September 2015	Appendix 3E
40	23 September 2015	Appendix 3D
41	17 September 2015	Change in substantial holding
42	16 September 2015	2015 Notice of Annual General Meeting
43	16 September 2015	Change in substantial holding
44	16 September 2015	Change in substantial holding
45	1 September 2015	DEXUS on-market securities buy-back
46	1 September 2015	Appendix 4G
47	31 August 2015	2015 Annual reporting suite
48	31 August 2015	30 June 2015 distribution
49	25 August 2015	Changes to the Board
50	18 August 2015	Appendix 3Y

Attachment 2

INDEPENDENT EXPERT'S REPORT

KPMG Corporate Finance
A division of KPMG Financial Advisory Services
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The Directors
Investa Listed Funds Management Limited
as Responsible Entity for Investa Office Fund
Level 6, Deutsche Bank Place
126 Phillip Street
SYDNEY NSW 2000

For the attention of the Directors

8 March 2016

Dear Directors

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

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

Subsequently, on 18 December 2015, IOF announced that it had entered into an Implementation Agreement (IA) with DEXUS RE in relation to the Proposal, which contains a number of conditions as set out in Section 5.4 of this report.

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

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[1] Election Date refers to 5.00pm (Sydney time) on the fifth business day following the Effective Date or such other date as ILFML and DEXUS RE agree in writing

[2] Record Date refers to 5.00pm (Sydney time) on the sixth business day following the Effective Date or such other date as ILFML and DEXUS RE agree in writing

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

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

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

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

IOF is a real estate investment trust (REIT) listed on the Australian Securities Exchange (ASX) and has a market capitalisation of approximately $2.4 billion at 3 March 2016. IOF is the owner of investment grade office buildings located in Australia, predominantly tenanted by government and blue chip clients. At 31 December 2015, IOF had total assets under management of approximately $3.5 billion. IOF was formed in January 2000 as a result of the stapling of the units in two Australian registered property schemes, these being the AJO Fund and the PCP Trust.

DEXUS is a REIT listed on the ASX and has a market capitalisation of approximately $7.6 billion at 3 March 2016. DEXUS' principal activities are the ownership and development of office and industrial properties, management of office, industrial, and retail properties on behalf of third party clients, and trading of office and industrial real estate on balance sheet.

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

[4] Sale Facility as defined in the Section 5.3 of the Explanatory Memorandum

[5] Minimum Holders are those IOF Unitholders who are entitled to receive a parcel of DEXUS Securities under the Proposal with a value of less than $500

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

On, or about, 8 April 2016, the Meeting[6] will be held to consider and vote on the Proposal. Each Eligible IOF Unitholder[7] on the Voting Record Date[8] will be entitled to attend and vote on the resolutions to implement the Proposal. The resolutions are comprised of an ordinary and a special resolution. An ordinary resolution may only be passed by at least 50% of votes cast by IOF Unitholders, in person or by proxy, entitled to vote on such resolutions. A special resolution may only be passed by at least 75% of the votes cast by IOF Unitholders, in person or by proxy, entitled to vote on such resolutions. The Proposal will only proceed if the requisite majorities for the resolutions are met by IOF Unitholders, voting either in person or by proxy at the Meeting.

In order to assist IOF Unitholders in assessing the Proposal, the Independent Directors of ILFML (Directors) on behalf of ILFML, as the responsible entity of IOF, 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 Proposal is in the best interests of IOF Unitholders.

This report set's out KPMG Corporate Finance's opinion as to the merits or otherwise of the Proposal and will be included in the Notice of Meeting and Explanatory Memorandum (Explanatory Memorandum) to be sent to IOF Unitholders.

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 Scope of Report

The Proposal is to be implemented via a trust scheme. There is no specific statutory framework for a trust scheme as there is for a Scheme of Arrangement between companies and their members. As such, the Takeovers Panel has issued Guidance Note 15 (Guidance Note) outlining the recommended procedures for a trust scheme.

The Guidance Note suggests that a notice of meeting and explanatory memorandum for a trust scheme should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable, and therefore consistent with determining whether it is in the best interests of the members.

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[6] The extraordinary general meeting of IOF Unitholders convened by the Notice of Meeting in the Explanatory Memorandum

[7] Eligible IOF Unitholder is a Proposal Participant who is not an Ineligible Overseas Unitholder

[8] The Voting Record Date refers to 7.00pm (Sydney time) on Wednesday 6 April 2016

In undertaking our work, we have referred to guidance provided by the Australian Securities and Investments Commission (ASIC) in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (RG 111) which outlines the principles and matters which it expects a person preparing an IER to consider when providing an opinion on whether a transaction is "fair and reasonable, and therefore in the best interests" of IOF Unitholders.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6 of this report.

3 Summary of opinion

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

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

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

Our assessment has formed the view that the Proposal is fair and reasonable. As such we have, consistent with RG 111, concluded that the Proposal is in the best interests of IOF Unitholders, in the absence of a superior proposal.

The Proposal provides IOF Unitholders with strategic certainty which has been absent since Morgan Stanley commenced a formal process around its holdings in Investa Property Group (which comprises Investa Office, comprising the Investa Property Trust portfolio and the Investa Office Management Platform and Investa Land) (IPG) in February 2015. As an externally managed passive REIT of limited scale, IOF has found growth opportunities difficult to realise, and this position is unlikely to change in the future. In considering its position, the Independent Board Committee (IBC) of IOF assessed various alternatives, including internalising management, acquiring a partial interest in the manager (ILFML) or entering into a sales process. Ultimately, the Proposal arose out of contact with a party identified as part of this process and in the period since the announcement of the Proposal, no other party has expressed interest in acquiring IOF. As the IBC concluded that the other alternatives were either incapable of being progressed or unclear that they would result in a better outcome for IOF Unitholders, they were not pursued. As such it is only the Proposal which will provide IOF Unitholders with certainty in the short to medium term. On that basis, a transaction that provides IOF Unitholders with a fair value for their units and, as is the case with the Proposal, the opportunity to participate in the growth generated by a larger, more diverse property group, is in our view an attractive option for IOF Unitholders.

We note also that on 22 February 2016, IWFML announced the acquisition of IOMH by a new company to be stapled to Investa Commercial Property Fund (ICPF), effective March 2016. In our view, whilst potentially impacting the ability and timing of DEXUS to achieve various synergies it does not impact in any other way our opinion on the Proposal by DEXUS. ICPF is an open ended wholesale fund.

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

Whilst our valuation of IOF has been completed on a first principles basis, as if the Proposal had not been made, our assessment of the value of a security in DEXUS has been determined having regard to the trading value of a DEXUS Security, which reflects the nature of the consideration IOF Unitholders will receive.

This analysis indicates that our value range for the Standard Consideration is $3.90 to $4.09 and for the Maximum Scrip Consideration is $3.84 to $4.08. This compares to our assessed value range for an IOF Unit being $3.92 to $4.13. As the value attributed to the Standard Consideration, the Maximum Scrip Consideration and the value of the Maximum Cash Consideration ($4.11) overlaps our assessed value range for an IOF Unit, we consider the Proposal to be fair. In forming our opinion, we have had to make a series of judgements as to future events based on the facts which we currently know.

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

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

Further, the ultimate outcome will be influenced by the additional complexity of DEXUS RE exercising its legal and equitable rights, as the ultimate owner of IOF on implementation of the Proposal to seek to achieve an orderly integration of IOF into the Merged Group and the transition of management of IOF to DEXUS without the disruption of a hostile situation.

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

Our analysis of the fairness of the Proposal is detailed further in Section 3.1 below.

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Proposal to be fair, this would imply that the Proposal is reasonable. However, irrespective of the statutory obligation to conclude that the Proposal is reasonable, we have considered a range of other factors which are relevant to assessing the reasonableness of the Proposal which on balance in our opinion support a reasonableness conclusion in isolation of our fairness opinion.

These include:

- the consideration offered under the Proposal represents a premium to the trading price of IOF pre-speculation of a transaction
- the Merged Group will create one of Australia's largest owner and manager of office assets by combining the two complementary property portfolios which will enhance diversification and management of tenancy, leasing and vacancies and provide IOF Unitholders with exposure to additional revenue streams
- enhanced corporate governance and alignment of interests as a result of internalising the management function
- improved liquidity due to scale and the expectation of improved pricing and attractiveness to debt and equity investors
- the synergies expected to be generated by the Merged Group post implementation and transaction costs, which are expected to result in improved earnings and dividends on a relative basis, as well as an improved management expense ratio
- the Maximum Cash Consideration is at the high end of our value range for an IOF Unit, and slightly exceeds the upper value of our value range for the Standard Consideration and Maximum Script Consideration. However, the cash pool available is capped at $505 million and therefore the Maximum Cash Consideration may be subject to scale-back
- the value of the Standard Consideration and the Maximum Scrip Consideration is not certain as the value of a DEXUS Security will fluctuate prior to the issue of the Standard Consideration and the Maximum Scrip Consideration to IOF Unitholders upon implementation of the Proposal
- the likelihood of a superior proposal appears to be low, given that no alternative proposals have emerged since speculation of a possible transaction with DEXUS in December 2015.

Whilst we consider the Proposal benefits IOF Unitholders, there are other matters which IOF Unitholders should consider in assessing the Proposal, including:

- IOF will incur transaction costs relating to adviser, legal, accounting and expert fees and other costs associated with the Proposal, irrespective of whether the Proposal is implemented
- the risks of the Merged Group will differ to those currently experienced by IOF, including increased gearing, a different geographical diversification, and changed unitholder rights, as well as a number of risks that need to be managed as part of the Proposal
- the Merged Group will have a higher level of gearing relative to IOF's current level. However, it is expected that the realisation of synergies and resultant earnings accretion will increase the debt covenants headroom and enable the Merged Group, should it choose, to de-lever over time. In addition, DEXUS has a higher credit rating relative to IOF allowing greater financial flexibility and access to a broader range of debt financing sources and tenors
- reduction in IOF's equivalent net tangible asset value per IOF Unit from $3.98 to $3.83 at as 31 December 2015 as a result of the Proposal, arising principally from the transaction costs incurred by the Merged Group (representing $0.07 per unit) and the fact the Proposal was based on a Security

price for DEXUS which includes intangible value attributed to the third party mandates and the development pipeline, which is not reflected in the NTA

- uncertainty associated with triggering certain arrangements by the implementation of the Proposal, implementing DEXUS' post implementation intentions or by the intended removal of the responsible entity post implementation of the Proposal, including triggering defaults under the medium term notes (MTNs) and/or US Private Placements (USPPs) and/or triggering pre-emptive rights in respect to certain properties. Although these arrangements can be managed and resolved and are not unusual in change of control transactions, DEXUS has indicated it has sufficient funding commitments to eliminate the risk associated with payments required to be made pursuant to MTNs and/or USPPs if consents are not obtained from the USPP holders or MTN holders. DEXUS has received consents from all of IOF's domestic banks in relation to debt facilities and international swaps and derivative associations (ISDAs). Default and/or pre-emptive rights also provide sufficient protection to ensure that any asset sales occur at a market value to be determined by an independent valuer, if consents are not received
- uncertainty in relation to the timing and transition of the manager of IOF and the ability to transfer property management agreements which are under fixed terms. Reviewing these events in isolation, they are capable of resolution, however, may result in additional costs and the cost synergies not being realised in line with the expected timeframe
- it is highly likely under the Maximum Cash Consideration and the Maximum Scrip Consideration that the scale-back will apply and therefore it is unlikely that IOF Unitholders will receive the precise form of proposal consideration they have elected to receive
- in the event that the Proposal is not approved or any conditions precedent prevent the Proposal from being implemented, IOF will continue to operate in its current form and its unit price is likely to fall to levels consistent with trading prices prior to the emergence of speculation of a potential transaction, subject to consideration for any company specific changes and broader trends in equity markets.

Our analysis of the reasonableness of the Proposal is detailed further in Section 3.2 below.

The decision to approve the Proposal or not is a matter for individual IOF Unitholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio, risk profile and tax position. IOF Unitholders should consult their own professional adviser, if in doubt, regarding the action they should take in relation to the Proposal.

3.1 The Proposal is fair

We have valued an IOF Unit in the range of $3.92 to $4.13. This estimate is based on IOF's audited NTA as at 31 December 2015 of $2,443.5 million ($3.98 per IOF Unit). Various adjustments have been made to derive an adjusted NTA and a premium to reflect the controlling interest basis as summarised below. Our valuation is set out in Section 11 of this report and summarised on the next page.

Table 1: Valuation of IOF

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

Source: KPMG Corporate Finance analysis
Note: Table may not cast due to rounding

The key factors considered in our assessment of the value of an IOF Unit are set out below:

- adjusted NTA represents the aggregate full underlying value of IOF. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets)
- in certain situations, it is appropriate to apply a premium to adjusted NTA. Based on the specific attributes of IOF, as well as premiums to NTA observed in recent control transactions involving passive office A-REITs, KPMG Corporate Finance considers that a premium to adjusted NTA in the range of nil to 5% is appropriate. The premium represents potentially avoiding substantial stamp duty costs by acquiring IOF's portfolio as opposed to acquiring each of the properties individually and the scarcity value of purchasing one of the few remaining sector specific office portfolios that has not already been acquired or internalised
- the range of values is narrow, reflecting that property valuations, which comprise a majority of the value, represent the audited book value of the properties at 31 December 2015, which were recently revalued at 30 November 2015.

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

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

We have attributed a value to the Standard Consideration of $3.90 to $4.09 per IOF Unit and a value to the Maximum Scrip Consideration of $3.84 to $4.08 per IOF Unit based on a value range for DEXUS Securities (on a minority interest basis) of $7.25 to $7.70 as set out in Section 10 of this report and summarised on the next page.

Table 2: Valuation of the Consideration

Consideration A$ unless otherwise stated	Standard Consideration Low	 High	Maximum Cash Consideration	Maximum Scrip Consideration Low	 High
Value per DEXUS Security	7.25	7.70	-	7.25	7.70
Exchange ratio	0.4240	0.4240	-	0.5300	0.5300
Value of scrip component	**3.07**	**3.26**	**-**	**3.84**	**4.08**
Add: cash component	0.82	0.82	4.11	-	-
Value of consideration per IOF Unit	**3.90**	**4.09**	**4.11**	**3.84**	**4.08**

Source: KPMG Corporate Finance analysis

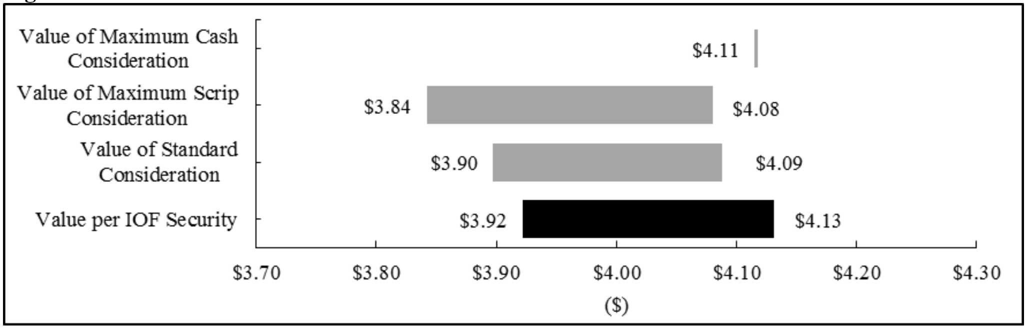
The value range we have assessed for DEXUS Securities, reflects the

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

KPMG Corporate Finance's range of values for DEXUS Securities is lower than the 10 day VWAP to 4 December 2015 (the last trading day prior to the announcement of the Proposal) of $7.76 on which the headline consideration was based. The DEXUS Security price reached a peak shortly before the announcement of the Proposal and was influenced by the Security buyback program (which was suspended on 7 December 2015). Consequently, we do not consider prices during this 10 day period to be representative of trading over a longer period before or after the announcement of the Proposal. Our valuation analysis has focused on post announcement market prices of DEXUS Securities.

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

Figure 1: Fairness assessment



Source: KPMG Corporate Finance analysis

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

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

Table 3: Sensitivity of the implied value of the consideration

A$ unless otherwise stated											
Standard Consideration											
DEXUS Security price	7.00	7.10	7.20	7.30	7.40	7.50	7.60	7.70	7.80	7.90	8.00
Implied value of consideration	3.79	3.83	3.88	3.92	3.96	4.00	4.05	4.09	4.13	4.17	4.21
Maximum Scrip Consideration											
DEXUS Security price	7.00	7.10	7.20	7.30	7.40	7.50	7.60	7.70	7.80	7.90	8.00
Implied value of consideration	3.71	3.76	3.82	3.87	3.92	3.97	4.03	4.08	4.13	4.19	4.24

Source: KPMG Corporate Finance analysis

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

3.2 The Proposal is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Proposal to be fair, this would imply that the Proposal is reasonable. However, irrespective of the statutory obligation to conclude the Proposal is reasonable, we have also considered a range of factors as set out below which on balance in our opinion support a reasonableness conclusion in isolation of our fairness opinion.

The factors considered include considerations if the Proposal is implemented and Eligible IOF Unitholders[9] receive DEXUS Securities as part of their consideration under the Proposal.

The consideration offered under the Proposal represents a premium to the trading price of IOF pre speculation of the Proposal

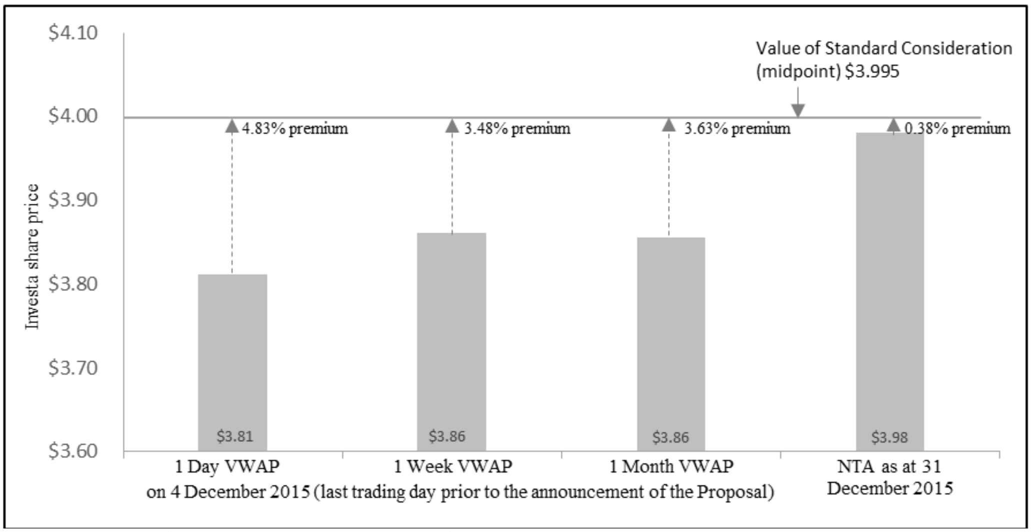
The mid-point of our assessed value range of the Standard Consideration represents a premium to the IOF volume weighted average unit prices one day prior (4.83%), one week prior (3.48%) and one month prior (3.63%) to 4 December 2015, being the last day prior to the Proposal being announced.

The premiums are slightly higher when assessed based on the Maximum Cash Consideration, as the consideration under the Maximum Cash Consideration ($4.11) is higher than the mid-point of our assessed value range of the Standard Consideration ($3.995).

The premiums are slightly lower when assessed based on the Maximum Scrip Consideration, as the mid-point of our assessed value range under the Maximum Scrip Consideration ($3.96) is lower than the mid-point of our assessed value range of the Standard Consideration ($3.995).

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

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



Source: S&P Capital IQ; KPMG Corporate Finance analysis
Note: The premiums illustrated above have been calculated based on IOF's volume weighted average unit prices prior to last day prior to the Proposal being announced, 4 December 2015

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[9] Eligible IOF Unitholder is a Proposal Participant who is not an Ineligible Overseas Unitholder

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

- 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 share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. In the case of IOF which is a passive, externally managed A-REIT with no operating business or third party mandates and the underlying value of each property in the portfolio is reflected in the NTA, it is already effectively a 'control' value and so the lower premiums achieved appear reasonable
- the premium to NTA as at 31 December 2015 appears reasonable given all property valuations are up to date (as at 30 November 2015), including those held jointly with third parties. Market commentators are suggesting that valuations in the office sector have peaked or are nearing a peak
- unlike the premium implied by the Maximum Cash Consideration, the value of the Standard Consideration is not certain and the actual premium received upon issuance of the New DEXUS Securities under the Proposal could therefore exceed, or be less than, the premium implied by our assessed value range of the Standard Consideration.

Enhanced liquidity and improved access to capital markets

If the Proposal is implemented it should have a positive impact on market trading of the DEXUS Securities that will arise from:

- increased market capitalisation
- increased index weighting
- improved liquidity and broadening of the security register
- the expanded capital base from which to pursue organic and acquisitive growth opportunities.

Furthermore, the Merged Group will be the fifth largest entity in the S&P/ASX200 A-REIT Index (A-REIT Index) and one of the top 50 ASX listed entities based on expected market capitalisation. This compares to IOF's current ninth position in the A-REIT Index and being one of the top 100 ASX listed entities.

There is also likely to be a period of re-weighting, as investors assess their portfolio and exposure to the Merged Group. The substantial IOF Unitholders will also have a greater capacity to trade securities, should they choose, under the Merged Group due to the enhanced liquidity.

The value of the scrip component of the Consideration is not certain

The value of the scrip component of the consideration under the Proposal will vary with movements in the price of DEXUS Securities. As stated above in Section 3.1 of this report, until DEXUS Securities are issued under the Proposal, IOF Unitholders who elect to receive the Standard Consideration or the Maximum Scrip Consideration or are subject to the scale-back mechanism under the Maximum Cash Consideration, are exposed to changes in overall equity market conditions, and company specific events that may affect the DEXUS Security price. The sensitivity of the implied value of the Standard

Consideration and the Maximum Scrip Consideration to changes in the DEXUS Security price was previously illustrated above in Table 3.

Accordingly, the actual value received upon issuance of the DEXUS Securities under the Proposal could therefore exceed, or be less than, our assessed value range per IOF Unit. However, in assessing the impact of any change in the trading price of DEXUS, consideration should also be given to the potential for market driven factors to also impact our assessment of the value of IOF.

The Maximum Cash Consideration provides certainty of price but may be subject to scale-back

The Proposal provides the flexibility for IOF Unitholders to elect the Maximum Cash Consideration of $4.11 per IOF Unit in cash which, unlike the Standard Consideration and Maximum Scrip Consideration, provides certainty of price as to the value of the consideration received upon implementation of the Proposal. However, IOF Unitholders who elect to receive the Maximum Cash Consideration may be subject to the scale-back mechanism[10] as the available cash pool is capped at $505 million. The Maximum Cash Consideration will represent approximately 21% of the total consideration.[11]

The Merged Group offers greater diversification and scale

The merger of IOF and DEXUS has a number of strategic benefits and will create a larger more diversified office portfolio. If the Proposal is implemented, Eligible IOF Unitholders will own approximately 21.2% of the Merged Group[12].

An overview of the Merged Group is set out in Section 9 of this report and Section 9 of the Explanatory Memorandum. Relative to IOF, the Merged Group provides the following strategic benefits:

- increased capacity to make strategic investments by combining two complementary office portfolios
- greater diversification and an enhanced footprint in all major Australian office markets with reduced exposure to any particular asset or tenant, and reducing the risk to earnings from any singular tenancy
- enhanced lease expiry profile of the Merged Group which diversifies the lease expiry of both IOF and DEXUS across a larger portfolio of the Merged Group
- enhanced capabilities to manage tenants demands, vacancy and leasing due to the increased size of the combined office portfolio and tenancy diversity and ability to provide alternative tenancy solutions
- a more substantial office portfolio with relevance across all major Australian office markets and improved exposure to prime grade properties and improved overall portfolio quality.

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[10] Scale-back mechanism is described in Section 5.3 (b) and (c) of the Explanatory Memorandum

[11] Based on the value of a DEXUS Security of $7.25 to $7.70

[12] As a result of the scale-back, IOF Unitholders who receive DEXUS Securities will own 21.2% of the Merged Group

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

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

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

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

Table 4: Merged Group accretion analysis

				Value of DEXUS consideration per IOF Unit					
				$7.25			$7.70		
	IOF	DEXUS	Merged Group (cents)	IOF equivalent[2]	Absolute change	Change %	IOF equivalent[2]	Absolute change	Change %
Standard Consideration (without asset sales)									
FY16 FFO[5] per security (including trading profits)	28.4¢	63.1¢	62.9¢	33.8¢	5.4¢	*19.2%*	33.4¢	5.0¢	*17.7%*
FY16 underlying FFO per security (excluding trading profits)	28.4¢	56.5¢	57.8¢	31.0¢	2.7¢	*9.4%*	30.7¢	2.3¢	*8.0%*
FY16 distribution per security[3]	19.6¢	43.5¢	43.4¢	23.3¢	3.7¢	*19.0%*	23.0¢	3.4¢	*17.6%*
NTA per security at 31 December 2015	$3.98	7.25¢	7.22¢	3.88¢	$(0.10)	*(2.5%)*	$3.83	$(0.15)	*(3.7%)*
Maximum Scrip Consideration (without asset sales)									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	62.9¢	33.3¢	5.0¢	*17.5%*	33.3¢	5.0¢	*17.5%*
FY16 underlying FFO per security (excluding trading profits)	28.4¢	56.5¢	57.8¢	30.6¢	2.2¢	*7.9%*	30.6¢	2.2¢	*7.9%*
FY16 distribution per security[3]	19.6¢	43.5¢	43.4¢	23.0¢	3.4¢	*17.4%*	23.0¢	3.4¢	*17.4%*
NTA per security at 31 December 2015	$3.98	7.25¢	7.22¢	3.83¢	$(0.15)	*(3.9%)*	$3.83	$(0.15)	*(3.9%)*
Standard Consideration (with asset sales[4])									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	61.9¢	33.3¢	4.9¢	*17.3%*	32.9¢	4.5¢	*15.8%*
FY16 underlying FFO per security (excluding trading profits)	28.4¢	56.5¢	56.8¢	30.5¢	2.1¢	*7.5%*	30.1¢	1.8¢	*6.2%*
FY16 distribution per security[3]	19.6¢	43.5¢	42.7¢	23.0¢	3.4¢	*17.2%*	22.7¢	3.1¢	*15.7%*
NTA per security at 31 December 2015	$3.98	7.25¢	7.22¢	3.88¢	$(0.10)	*(2.5%)*	$3.83	$(0.15)	*(3.7%)*
Maximum Scrip Consideration (with asset sales[4])									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	61.9¢	32.8¢	4.4¢	*15.6%*	32.8¢	4.4¢	*15.6%*
FY16 underlying FFO per security (excluding trading profits)	28.4¢	56.5¢	56.8¢	30.1¢	1.7¢	*6.0%*	30.1¢	1.7¢	*6.0%*
FY16 distribution per security[3]	19.6¢	43.5¢	42.7¢	22.6¢	3.0¢	*15.5%*	22.6¢	3.0¢	*15.5%*
NTA per security at 31 December 2015	$3.98	7.25¢	7.22¢	3.83¢	$(0.15)	*(3.9%)*	$3.83	$(0.15)	*(3.9%)*

Source: Explanatory Memorandum

Note 1: Assumes Proposal is implemented on 1 July 2015

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

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

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

Note 5: Property Council FFO consistent with funds from operations presented using principles of Property Council of Australia White Paper released in May 2013

Implementation of the Proposal and realisation of synergies is expected to generate pro forma FFO and distribution accretion for IOF Unitholders who receive new DEXUS Securities, and dilution of NTA per Unit:

- FFO increases to a greater extent than underlying FFO as IOF Unitholders will share in DEXUS' trading profits
- distribution per unit is expected to increase in proportion to FFO. DEXUS has stated that it intends to maintain the same distribution policy post transaction as it does currently (that is, to pay distributions in line with free cash flow). It is assumed that the Merged Group pays distributions in the amount of 69% of FFO, which is consistent with DEXUS' payout ratio in the 2014 and 2015 financial years and in the six months ended 31 December 2015
- NTA per unit decreases moderately under both consideration options. This reflects the intangible value reflected in DEXUS' Security price that is associated with third party funds management activities and growth opportunities from its development pipeline that are not reflected in NTA, as well as transaction costs to implement the Proposal.

The level of accretion ultimately realised will be impacted by:

- any further synergies which may be identified during the implementation process or the risk that the full integration cost savings are not realised
- whether the asset sales occur and the level of pricing achieved
- dividend growth and enhanced share price performance as integration milestones are met and realised synergies deliver the expected earnings accretion
- the risk that the assumptions in determining the FFO analysis may be higher or lower than estimated by DEXUS.

We note that the pro forma financial information assumes that the Proposal is implemented on 1 July 2015 and therefore, actual FFO and distribution per security in the 2016 financial year will be less than presented. Further details of the Merged Group accretion analysis is detailed in Section 9.6 of this report and Section 10 of the Explanatory Memorandum.

Diversification and exposure to additional revenue streams

If the Proposal becomes Effective[13] and is implemented, IOF Unitholders who receive DEXUS Securities will be exposed to additional and diversified revenue streams from within the Merged Group. These revenue streams include the following:

- exposure to DEXUS' revenue from its development pipeline across office and industrial projects and the potential for further development and repositioning opportunities from within the expanded office portfolio of the Merged Group
- exposure to DEXUS' third party funds management and property services revenue. DEXUS has an established funds management platform with wholesale capital relationships, activities within this platform include managing office, industrial and retail investments on behalf of the third party

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[13] When the Proposal comes into effect, which will be on the Business Day after the Second Judicial Advice date or such other date as ILFML and DEXUS RE agree in writing

partners and funds. DEXUS earns fees for providing funds management, property management, leasing and development management services in relation to assets held within the third party funds management business. This business will represent approximately 43% of the total funds under management of the Merged Group

- exposure to trading profits. DEXUS' trading business seeks to identify opportunities to redevelop or reposition assets with the intention to sell these assets for profit. The DEXUS trading business either acquires properties with the direct purpose of repositioning or development or acquires properties from within DEXUS' existing portfolio as having trading potential.

The risk associated with the exposure to these additional revenue streams are addressed below in the section *'Material risks will exist within the DEXUS business and IOF Unitholders' investment risk profile will change'*.

Change in corporate governance and alignment of interests

A key advantage of the Proposal is that it would result in an internalised office operating platform. The externally managed management model is out of favour in the market place, given the perceived conflicts of interest. There are a number of benefits associated with the intention of DEXUS to internalise IOF within the Merged Group. Currently, IOF is externally managed by an entity which it does not own, ILFML. The benefits include:

- creating a better alignment of management interests with ownership interest of assets of the Merged Group and eliminating perceived conflicts of interests
- potential removal of the discount that is applied by some analysts and investors to externally managed entities, such as IOF
- the ability to attract potential investors, as some institutional investors are prohibited from investing in externally managed vehicles
- the ability to diversify income streams and receive fees payable from third party funds management for provision of property management, development and funds management services
- the potential to realise benefits from cost synergies including elimination of the external management fee paid to ILFML, although, the Merged Group will be responsible for the costs associated with operating the office platform and therefore be exposed to the management of these costs
- the ability to facilitate growth potential arising from development opportunities and assess acquisitions in a potentially stronger competitive position.

Greater power and influence to appoint DEXUS' Board

Under the current governance arrangements, IOF Unitholders do not have the power to appoint and remove directors to/from the IOF Board. As the responsible entity of IOF is not owned by IOF Unitholders, the Independent Directors of the IOF Board are not appointed and removed by IOF Unitholders but rather by the owner of ILFML. IOF Unitholders only have the ability to ratify the directors through a majority vote.

If the Proposal is implemented, DEXUS Securityholders have the power at general meetings of DEXUS, with sufficient majority, to appoint and remove DEXUS RE Directors, as well as vote (in non-binding resolutions) on the remuneration structure of the DEXUS RE Directors. This gives DEXUS Securityholders greater control and influence over the ability to shape strategy and align interests.

The Merged Group Board will be the same as the DEXUS Board and there are not expected to be any significant changes post implementation of the Proposal.

Execution certainty

Should the Proposal be implemented, it will conclude the ongoing uncertainty for IOF Unitholders associated with the Morgan Stanley process around realising its holding in IPG, which has resulted in a change in the ultimate ownership of ILFML.

Whilst on 22 February 2016, the IBC announced that IWFML had entered into a binding agreement to acquire the management platform of IOF, there will still be ongoing uncertainty associated with future strategy and potential competing interests.

The Proposal will provide certainty to IOF Unitholders and allow IOF, as part of the Merged Group, to focus on its strategy and business operations. Whilst it is possible that alternatives may have delivered a different value outcome to IOF Unitholders, the Proposal provides, amongst other things, execution certainty which at this point in time the alternatives do not.

The transfer of ILMFL to ICPF will not impact the DEXUS Proposal timetable and the Proposal still remains available for consideration and voting by the IOF Unitholders (refer to the Letter from the Chairman of Investa Office Fund in the Explanatory Memorandum for further details).

A decrease in Net Tangible Asset (NTA) per unit

If the Proposal is approved, there will be a reduction of IOF's NTA resulting in a decrease in NTA per IOF Unit from $3.98 as at 31 December 2015 to an equivalent of $3.84 per IOF Unit based on the pro forma NTA as at 31 December 2015 for the Merged Group.

The main factor driving this reduction is that the value of the operating platform attributed to DEXUS' corporate activities is not recognised as an asset on the balance sheet of the Merged Group and the transaction costs associated with implementing the Proposal. The transaction costs represent $0.07 per DEXUS Security.

We do not see the decrease in NTA as having a material impact on DEXUS' Security price as:

- DEXUS, which does not hold these intangible assets associated with the corporate activities on its existing balance sheet, trades at a premium to NTA. This premium was 6.2%, at the close of trade on the day prior to the announcement of the Proposal (4 December 2015) to the pro forma 30 June 2015 NTA[14]

- the trading in DEXUS securities is primarily driven by distributions per security and growth prospects, neither of which are related to DEXUS' NTA per security.

The Merged Group will have higher gearing than IOF

Implementation of the Proposal will result in DEXUS' pro forma gearing[15] at 31 December 2015 increasing from 29.5% to 33.5%. IOF had gearing of 28.5% as at 31 December 2015, and therefore the Merged Group will have a slightly higher gearing than IOF Unitholders' previous exposure. We do not consider the increase in gearing to be a significant risk to IOF Unitholders for the following reasons:

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

Material risks will exist within the DEXUS business and IOF Unitholders' investment risk profile will change

If the Proposal is implemented, the risks associated with operating and internalising the office property operating platform of IOF will reside with the Merged Group. Further, the risks associated with holding DEXUS Securities include, but are not limited to the following:

- exposure to the more diverse operations of DEXUS including third party funds management, property services and development and trading activities
- risk associated with development activities including obtaining permits, industrial disputes, construction costs exceeding estimates, disruptions to existing centres and rectification costs
- construction overruns and leasing of new projects at levels lower than expected
- inability to obtain funding on acceptable terms for the proposed developments and redevelopment program
- removal of any contractual protection IOF has in place for breaches of services by ILFML for the provision of services related to the management of IOF

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

[15] Gearing is calculated based on net debt divided by net assets plus net debt on a look-through basis

- property management activities and income have similar characteristics as property net operating income, the risks associated with the property management services are significantly reduced compared to the development services
- exposure to not only Australian office properties but also Australian industrial properties as held by DEXUS
- counterparty change of control risk including pre-emptive and/or default rights.

Importantly, the change in the risk profile for IOF Unitholders from the internalisation of the operating platform also brings with it the potential for growth of the Merged Group, the ability to diversify its income streams and the opportunity for improving acquisition outcomes.

We do not see these risks as significant as:

- the Merged Group will inherit DEXUS' knowledge and experience of developing and property management. The same DEXUS team who have performed the services for DEXUS in the past will be performing the services for the Merged Group
- the scale and diverse operations of the Merged Group will facilitate the ability to manage capital effectively to help ensure favourable capital and funding solutions
- ILFML and DEXUS RE are required as part of the IA to act co-operatively to seek consents to such change of control pre-emptive and default rights. Where rights are triggered in relation to certain property assets, processes allow for the sale of the assets in accordance with prices determined by independent valuations. In relation to default rights, DEXUS has secured sufficient finance arrangements to pay any amounts required to be paid if payment rights are triggered, including pursuant to MTNs and USPPs. DEXUS has received consents from IOF's domestic banks (including in relation to ISDAs) and is seeking consent from USPP holders and will seek consent from MTN holders.

IOF, as an existing owner of an office portfolio, is already impacted and exposed to property ownership risks including:

- tenant default and occupancy risk
- changes in office market conditions.

As such, IOF Unitholders should consider whether these changes are appropriate for their risk appetite. Further details of the risks associated with an investment in the Merged Group are considered in Section 9 of this report and Section 11 of the Explanatory Memorandum.

Alternative solutions/strategies are suboptimal to the Proposal

The IBC considered a number of alternative options under the IOF strategic review, which was announced on 14 August 2015, with the objective of maximising value for all IOF Unitholders, prior to recommending the Proposal to IOF Unitholders. The alternative options are outlined in Section 4.2 of the Explanatory Memorandum. In this regard the IBC of IOF considered the following alternatives:

- retaining the status quo - maintaining the existing IOF structure
- internalising the management platform on a stand-alone and joint party basis
- liquidation/wind-up of IOF
- considering potential takeover/control proposals for all IOF Units.

Outlined below is a summary of the advantages and disadvantages of the alternatives in comparison to the Proposal.

Retaining the status quo

If the status quo was retained, then the existing IOF structure would continue to provide investors with income and capital returns provided by IOF's office portfolio. Given the externally managed status and the nature of the inherent limitations within this relationship, it is likely that IOF, as it has recently, would trade at or near a discount to NTA. Further, given the likely change in ownership of the external manager a period of extended uncertainty may prevail. As such, by its nature, in itself this option does not enhance IOF Unitholders existing position.

It follows that the benefits of having an internally managed operating platform with the associated control and direction over developments and management and the ability to diversify income streams would not arise. Nor by retaining the status quo would the benefits associated with the Proposal be achieved such as any earnings accretion, increased liquidity, and an increased scale in its investment portfolio and stronger competitive position to access acquisitions.

Internalising management on a stand-alone basis

An alternative to the Proposal is IOF internalising the management platform. This is not considered a viable option given Morgan Stanley had informed IOF that it could not acquire the Investa Office Management Platform and the Morgan Stanley intended to sell the Investa Office Management Platform in a manner that did not trigger any rights of IOF under the Investa Implementation Deed (refer Section 5.1 of this Report for further details).

Internalising management on a joint ownership basis

An alternative was considered involving entering into a joint ownership of the Investa Office Management platform with ICPF. It was concluded by the IBC that joint ownership is not equivalent to an internalisation of IOF. The full internalisation achieved through the Proposal delivers a superior governance and management framework to IOF Unitholders relative to a partial ownership of the external management platform and certainty of manager capability.

Liquidation/wind-up of IOF

A liquidation or wind-up of IOF would involve the individual sale of each of the assets of IOF as part of a liquidation. The strategic review concluded this to be an inefficient mechanism to realise value to IOF Unitholders due to the following:

- transaction costs incurred as part of the process

- potential for capital gains tax liabilities, impacting returns to IOF Unitholders
- expected lengthy time period to dispose the entire IOF portfolio and the lack of certainty in market conditions during this time and outcome
- lack of certainty of being able to transact on the entire portfolio at the commencement of the liquidation process at price levels to maximise returns for IOF Unitholders.

For these reasons, the Proposal provides IOF Unitholders with the ability to retain an exposure to the long term returns of the IOF and DEXUS portfolio and is considered superior to a liquidation/wind-up of IOF.

Potential takeover

As part of the strategic review, a control proposal was concluded to be the option most likely to maximise value to IOF Unitholders. The IBC and their advisers undertook a process to approach those parties identified as having an interest in the Australian office market. One of the parties approached was DEXUS which ultimately resulted in the Proposal.

We also note that no alternative party has sought or made enquiries as to a potential offer since the announcement of the Proposal.

Likelihood for a superior alternative proposal is low

In assessing the merits of the Proposal, we have considered the alternative options available to IOF Unitholders. Speculation in relation to a transaction involving IPG and with the associated impact on IOF first commenced in February 2015. Since that date no alternative proposal capable of completion has been made by any other party.

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

Uncertainty post vote in transition period

Whilst the Proposal does not involve the removal of the responsible entity of IOF or any change in the management arrangement of IOF, DEXUS RE has indicated its intention to remove the responsible entity of IOF if the Proposal is implemented. While DEXUS RE has held some discussions with Morgan Stanley in relation to the transition of the management of IOF to DEXUS no agreement has been reached and no payment has been made to Morgan Stanley, in relation to the acquisition of management rights to IOF or in connection with the transition of management.

Therefore uncertainty exists as to the transition period as to the management of IOF until such time as IOF has been integrated into the Merged Group. The risk of management of IOF is mitigated as DEXUS has experience in performing such a role however there is a risk of asset specific knowledge not being transitioned efficiently and effectively and the ability to realise the synergies as expected.

3.3 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 impact our assessment of the reasonableness of the Proposal, we consider it necessary to address these considerations in arriving at our opinion.

The Proposal is subject to the satisfaction of a number of conditions

There are a number of conditions which if not satisfied or waived (as applicable) will result in the Proposal not being implemented. The conditions precedent are set out in Section 5.4 of this report and Section 5.2 and 14.3 of the Explanatory Memorandum.

One-off transaction costs

IOF management has estimated total one-off transaction costs in relation to the Proposal to be approximately $20.5 million on a pre-tax basis, of which approximately $3.6 million will have been paid, or committed, prior to the Meeting by IOF.

DEXUS will also incur one-off transaction costs in relation to the Proposal which management has estimated to be approximately $94.0 million. The one-off transaction costs associated with the Proposal primarily relate to adviser, legal, accounting and expert fees, debt restructuring and other costs associated with the Proposal.

Ineligible Overseas Unitholders and Minimum Holders

Restrictions in certain foreign jurisdictions may make it unlawful or unduly onerous to offer or receive securities in those countries, therefore IOF Unitholders with an address outside of Australia or New Zealand, unless DEXUS RE determines that it is lawful and not unduly onerous, have been classified as Ineligible Overseas Unitholders.

Whilst Ineligible Overseas Unitholders will not be entitled to receive DEXUS Securities under the Proposal, it is noted that:

- they will receive cash instead of new DEXUS Securities through the Sale Facility[16]
- DEXUS Securities that would otherwise have been issued to them under the Proposal will be sold on the ASX under the Sale Facility within 15 business days after the Implementation Date
- their shares will be sold for market value, and they will receive the proceeds of those sales from ILFML (after deduction of any applicable taxes, duty, currency conversion or other costs and charges), no brokerage will be payable in respect of the Sales Securities participating in the Sales Facility
- if they wish to retain their exposure, they can acquire DEXUS Securities through the ASX.

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[16] Sale Facility is described in Section 5.3 (f) of the Explanatory Memorandum

Minimum Holders may also elect to have the DEXUS Securities they would receive under the Proposal sold through the Sale Facility.

Taxation implications for IOF Unitholders

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

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

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

3.4 Consequences if the Proposal does not proceed

In the event that the Proposal is not approved or any conditions precedent prevent the Proposal from being implemented, IOF will continue to operate in its current form and remain listed on the ASX. As a consequence:

- IOF will continue to operate as a standalone entity and remain listed on the ASX. Transaction costs of $3.6 million will also have been incurred
- IOF Unitholders will not receive the Standard Consideration, Maximum Scrip Consideration or the Maximum Cash Consideration and the implications of the Proposal, as summarised above, will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Meeting[17]. IOF would not be liable to pay a reimbursement fee (other than in certain limited circumstances)
- IOF Unitholders will continue to be exposed to the benefits and risks associated with an investment in IOF
- IOF's unit price will likely fall. The current price of IOF reflects the terms of the Proposal and therefore includes a control element, as well as the anticipation of the benefits of the Proposal, including the expected earnings accretion. As such, in the absence of the Proposal, an alternative proposal or speculation concerning an alternative proposal, the IOF unit price is likely to fall to levels consistent with trading prices prior to the emergence of the Proposal, with allowance for any company specific initiatives or financial achievements in the subsequent period which the market may assess as value enhancing, and the impact of trends in broader equity markets

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[17] The Meeting is the extraordinary general meeting of IOF Securityholders convened by the Notice of Meeting to be held on 8 April 2016

- if the Proposal does not proceed due to certain specified events as described in Section 14 of the Explanatory Memorandum, such as any of the Independent Directors of IOF recommending a competing transaction, ILFML must pay to DEXUS RE a reimbursement fee of $23.52 million.

4 Other matters

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

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

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

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum to be sent to IOF Unitholders in relation to the Proposal, 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 Explanatory Memorandum.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in Section 6.3 of our 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 Proposal

5.1 Background to the Proposal

The Proposal from DEXUS RE to acquire all of the IOF Units follows several months of consideration of strategic options by the Independent Directors.

On 18 February 2015, Morgan Stanley commenced a formal process to sell its holding in Investa Property Group (IPG) (which includes Investa Office Management Holdings Pty Limited (IOMH), Investa Property Trust (IPT) and Investa Land). In anticipation of the sale process, ILFML established an Independent Board Committee (IBC) comprising the three independent directors of IOF. The IBC held discussions with Morgan Stanley in relation to the acquisition of IOM, however, as noted in IOF's ASX announcement dated 18 February 2015, these discussions were inconclusive and did not result in commercial terms that provided IOF with acceptable transaction certainty. On 27 July 2015, Morgan Stanley advised that it had sold IPT to the China Investment Corporation (CIC) and on 4 November 2015 it announced the sale of Investa Land to Proprium Capital Partners. The management rights for IPT, which were held by CIC have been sold to Mirvac on 23 December 2015.

On 7 August 2015, ILFML in an ASX announcement advised that Morgan Stanley had informed ILFML that it would not entertain an offer from IOF to acquire IOM and that it intended to complete a sale of IOM in a manner that did not trigger IOF's pre-emptive rights[18].

On 14 August 2015, the IBC announced it had commenced a process to undertake a full strategic review with the object to maximise value for IOF Unitholders and explore management and ownership options of IOF. A range of possible alternatives were considered by the IBC and as part of the strategic review a control proposal was concluded to be the option most capable of maximising value for IOF Unitholders. The IBC and their advisers proactively contacted a number of parties who may have had interest in acquiring the units of IOF. One of the parties contacted was DEXUS which resulted in the Proposal.

5.2 Overview of the Proposal

On 7 December 2015, ILFML as responsible entity of IOF announced that it had entered into a Process Deed with DEXUS RE in relation to an indicative, conditional and non-binding proposal for the acquisition of all the units in IOF.

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[18] Pursuant to the Investa Implementation Deed between ILFML, IOMH and Investa Property Group Holdings Pty Ltd (IPGH), ILFML has certain rights, including a right to negotiate in good faith in relation to the acquisition of a 50% interest in the Investa Office Management Platform once the gross asset value of IOF equals or exceeds $3.5 billion (the Due Diligence Commencement Date). ILFML also has a right of first refusal for a period of 12 months from the Due Diligence Commencement Date in the event IPGH or IOMH wishes to sell an interest in the Investa Office Management Platform to an unrelated third party

Subsequently, on 18 December 2015, IOF announced that it had entered into an IA with DEXUS RE in relation to the Proposal, which contains a number of conditions as set out in Section 5.4 of this report.

Implementation of the Proposal will result in the combination of IOF and DEXUS, to form the Merged Group (Merged Group). Post-implementation, IOF Unitholders who receive DEXUS securities will hold an interest of up to a maximum of approximately 21.2% in the Merged Group.

The Merged Group will have total assets under management (AUM) of $24.6 billion, of which $17.6 billion would comprise office properties[19]. The Merged Group is expected to:

- combine two complementary office property portfolios
- have greater scale and diversification of investment portfolio
- have diversification of revenue streams through third party mandates and trading activities
- have potential to realise benefits from cost synergies, portfolio leasing strategies for customers and improved margins
- have a stronger balance sheet and greater financial flexibility
- have improved corporate governance through a proposed internal management structure
- have increased liquidity and share market rating
- generate earnings and distribution accretion to IOF Unitholders, offset by lower NTA per DEXUS Security.

The Merged Group is described further in Section 9 of this report and in Section 9 of the Explanatory Memorandum.

5.3 Terms of the Proposal

Under the terms of the Proposal, IOF Unitholders on or before the Election Date[20] may elect to receive in exchange for their respective holdings of IOF Units held on the Record Date[21] one of the following consideration alternatives:

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

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[19] Section 9 of the Explanatory Memorandum
[20] Election Date refers to 5.00pm (Sydney time) on the fifth business day following the Effective Date or such other date as ILFML and DEXUS RE agree in writing
[21] Record Date refers to 5.00pm (Sydney time) on the sixth business day following the Effective Date or such other date as ILFML and DEXUS RE agree in writing

Under the scale-back mechanism an IOF Unitholder who elects either the Maximum Cash Consideration or the Maximum Scrip Consideration will receive the balance of their consideration either in scrip or cash.

The default option for IOF Unitholders who do not make a valid election is the receipt of the Standard Consideration.

In addition, IOF Unitholders will be entitled to the IOF announced distribution for the six months ending 31 December 2015 of 9.8 cents per IOF Unit. Further, DEXUS Securities issued to IOF Unitholders will be entitled to the full DEXUS distribution for the six month period ending 30 June 2016.

We note that Ineligible Overseas Unitholders may make an Election but despite any Election made, will not receive DEXUS Securities under the Proposal. Rather their holdings in DEXUS will be transferred to the Sale Agent under the Sale Facility[22] who will sell DEXUS Securities they would otherwise be entitled to receive under the Proposal and remit the sale proceeds to them (net of any applicable brokerage, stamp duty and other selling costs, taxes and charges). IOF Unitholders, who are also Minimum Holders, may also elect to participate in the Sale Facility. Details regarding the treatment of Ineligible Overseas Unitholders and Minimum Holders are set out in Section 5.3 of the Explanatory Memorandum.

5.4 Conditions of the Proposal

The Proposal will not proceed unless each of the conditions precedent are satisfied or waived (if applicable), which include the following: (Section 14.3 of the Explanatory Memorandum sets out a summary of the conditions precedent):

- ASIC and ASX have issued or provided the consents or approvals which the parties agree are reasonably necessary or desirable to implement the Proposal before the Meeting[23]
- all other approvals of an Australian Regulatory Authority which ILFML and DEXUS RE agree are required to implement the Proposal have been received
- IOF Unitholders approve the Proposal Resolutions by the requisite majorities at the Meeting
- the First Judicial Advice and Second Judicial Advice are received (as those terms are defined in Section 15 of the Explanatory Memorandum)
- the Independent Expert concludes that the Proposal is in the best interests of IOF Unitholders before the Explanatory Memorandum is registered with ASIC and does not change its conclusion before the Meeting
- the following do not occur before the Meeting Date[24]
    - an IOF prescribed event (as defined in the IA)

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[22] Sale Facility as detailed in Section 5.3(f) of the Explanatory Memorandum
[23] The Meeting is to be held on 8 April 2016 to consider the Proposal Resolutions as set out in the notice of meeting in Attachment 4 of the Explanatory Memorandum
[24] Meeting Date is 8 April 2016

  - a DEXUS prescribed event (as defined in the IA)
  - an IOF Material Adverse Change (as defined in the IA)
  - a DEXUS Material Adverse Change (as defined in the IA)
- the representations and warranties given by each of ILFML and DEXUS RE remain true and correct in all material respects and there is no unremedied breach of the representations and warranties given in clauses 13.1 and 13.3 of the IA
- no material breach of any of the material provisions of the IA by either party remains unremedied.

In the event that any of the conditions precedent outlined above, which have not been waived in accordance with the IA, are breached or not fulfilled, ILFML and DEXUS RE must consult in good faith to determine whether:

- the Proposal may proceed by way of alternative means or method
- to extend the relevant time for satisfaction of the Conditions Precedent, or
- to extend the End Date (as defined in the IA).

5.5 Transaction costs

IOF has estimated total one-off transaction costs in relation to the Proposal to be approximately $20.5 million on a pre-tax basis, of which approximately $3.6 million will have been paid or committed, prior to the Meeting of IOF Unitholders.

One-off transaction costs associated with the Proposal primarily relate to adviser, legal, accounting and expert fees and other costs associated with the Proposal.

5.6 Reimbursement fee

Should the Proposal not proceed due to certain circumstances, a reimbursement fee of $23.52 million would be payable by IOF to DEXUS. The reimbursement fee represents compensation for advisory costs, costs of management and directors' time, out-of-pocket expenses and reasonable opportunity costs incurred by DEXUS in pursuing the Proposal. The circumstances under which the reimbursement fee would be payable by IOF are described in Section 14.3 of the Explanatory Memorandum.

6 Scope of the report

6.1 Purpose

There is no specific statutory framework for a trust scheme as there is for a scheme of arrangement between companies and their members. As such, the Takeovers Panel has issued Guidance Note 15 outlining the recommended procedures for a trust scheme. This Guidance Note suggests that the notice of meeting and explanatory memorandum for a trust scheme should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable, and therefore consistent with determining whether it is in the best interests of the members.

This report is to be included in the Notices of Meeting and Explanatory Memorandum to be sent to the IOF Unitholders and has been prepared for the purpose of assisting IOF Unitholders in their consideration of the Proposal.

6.2 Basis of assessment

RG 111, issued by ASIC, indicates the principles and matters which it expects a person preparing an independent expert's report to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is "fair and reasonable" and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the shares subject to the offer
- an offer is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). 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 IOF, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of IOF. As such, we have not included the value of special benefits that may be unique to DEXUS. Accordingly, our valuation of IOF has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target's shares
- any special value of the target to the bidder
- the likely market price of the target's shares in the absence of the offer
- the likelihood of an alternative offer being made

- any other advantages, disadvantages and risks associated with accepting the offer.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of the members of the company. Further, RG111.21 states that if an expert would conclude that the proposal was 'not fair but reasonable' … it is still open to the expert to also conclude that the scheme is 'in the best interests of the members of the company'.

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 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of IOF or IOM 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 IOF's manager in relation to the nature of the business operations, specific risks and opportunities, historical results of IOF and prospects for the foreseeable future of IOF. 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.

ILFML 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 in relation to IOF (forward-looking financial information) prepared by representatives of the management of ILFML (including management of IOM). Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, ILFML remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

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

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. ILFML has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to IOF. 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 IOF. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by ILFML.

7 Profile of IOF

7.1 Overview

IOF is an ASX listed A-REIT that is externally managed by IOM, which until a few days before the date of this report, was controlled by funds associated with Morgan Stanley. IOF holds a portfolio of 22 investment grade office properties located in central business districts (CBDs) in Australia. As at 31 December 2015, the properties had a book value of approximately $3.5 billion. Prior to the announcement of the Proposal on 7 December 2015, IOF had a market capitalisation of approximately $2.4 billion.

IOF was formed in January 2000 as a result of the stapling of the units in two Australian registered property schemes, being the AJO Fund and the PCP Trust, and was externally managed by Mercantile Mutual Holdings Limited (Mercantile Mutual). IOF was renamed 'ING Office Fund' in 2001 when Mercantile Mutual changed its name to 'ING Australia Holdings Limited'. IOF's portfolio was expanded in Europe and the United States until the onset of the global financial crisis in 2008.

In March 2011, ING sold the management rights of IOF to a wholly owned subsidiary of IPG and IOF was renamed 'Investa Office Fund'. The strategy of IOF was refined to focus on the Australian office property sector. All offshore assets were divested (the sale of the final asset, a 50% interest in the Bastion Tower, Belgium, was completed in March 2015) and the proceeds reinvested in high quality Australian office properties that were mainly located in the Sydney and Melbourne CBDs with a purchase value of $1.2 billion.

IOF's strategy is focused on:

- enhancing the property portfolio returns through proactive asset management
- enhancing and growing its investment property portfolio in Australian CBD markets
- optimising investment returns through focused capital management.

On 22 February 2016, IWFML announced that it had entered into a binding agreement to acquire IOMH (the owner of IOM), from Morgan Stanley. The IBC has been advised that the sale has completed and that a company stapled to ICPF has acquired the shares in IOMH.

7.2 Operating structure

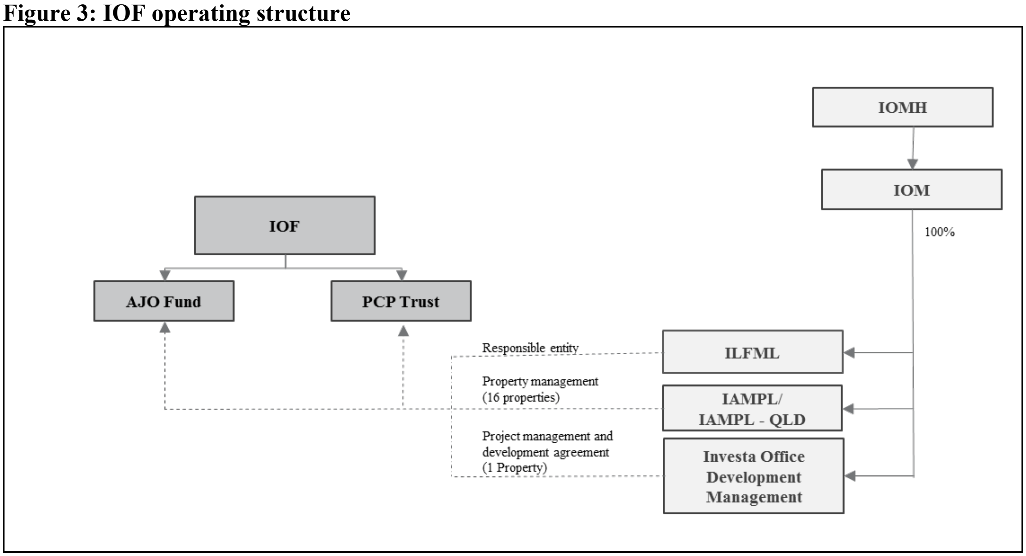
IOF is a stapled entity comprised of AJO Fund and PCP Trust (the Trusts) and trades on the ASX (ASX:IOF).

The responsible entity for the Trusts is ILFML. Other subsidiaries of IOM undertake property management, project development and other general and administration services.

Based on substantial holder notices filed with the ASX as at 3 March 2016, Morgan Stanley has an 11.78% relevant interest in IOF.

The operating structure of IOF is summarised on the next page.

Figure 3: IOF operating structure



Source: IOF management

The rights and obligations of ILFML as responsible entity are set out in the Corporations Act and the constitutions of the respective Trusts approved by unitholders on 6 December 2011 (The Constitutions). ILFML's role as responsible entity of IOF is subject to the provisions of the Act relating to the retirement and removal of responsible entities for listed managed investment schemes. ILFML effectively has indefinite tenure unless it retires or is removed. Either of these changes may occur following an ordinary resolution of IOF Unitholders (i.e. at least 50% of votes cast).

ILFML has delegated certain responsibilities to related and other entities including:

- ***funds management services*** have been delegated to IOM under a Management Deed, dated 25 September 2014. The agreement ceases on the earlier of a wind up of IOF and the date on which ILFML ceases to be the responsible entity of IOF (and is not replaced by a member of IPG)
- ***property management and leasing services*** in relation to 12 wholly owned properties in Sydney, Brisbane and Melbourne have been delegated to Investa Asset Management Pty Ltd (IAMPL) or Investa Asset Management (QLD) Pty Ltd (IAMPL - QLD), subsidiaries of IOM, under a Property Management Agreement, dated 23 December 2014. The agreement specifies a minimum term of five years from commencement. The commencement dates vary by property and range from 23 July 2013 to 1 January 2015. In addition, IAMPL is responsible for property management and leasing of the three jointly owned properties that are held through trusts (126 Phillip Street, Sydney, 567 Collins Street, Melbourne and 242 Exhibition Street, Melbourne). Management agreements for the jointly owned properties can be terminated in the event of a change of control of the responsible entity. IAMPL undertakes property management in respect to the office component of Piccadilly Complex, Sydney under separate property management agreements. The retail component of Piccadilly Complex is managed externally. The management agreement for Piccadilly Complex can be terminated by either investor with a 90 day notice period. The remaining six properties (including

wholly owned properties in Perth and Canberra as well as jointly owned properties, 10-20 Bond Street, Sydney, 388 George Street, Sydney and 800 Toorak Road, Tooroonga) are externally managed

- ***project management services*** in relation to 12 wholly owned properties in Sydney/North Sydney, Brisbane and Melbourne have been delegated to Investa Office Development Pty Limited (a subsidiary of IOM) under a Project Management Agreement dated 23 December 2014. The agreement specifies a minimum term of five years from commencement. The commencement dates vary by property and range from 23 July 2013 to 1 January 2015. Development management services in relation to the redevelopment of 151 Clarence Street, Sydney, have been delegated to Investa Properties Pty Limited in a Development Management Services Agreement dated 16 October 2012 (subsequently novated to Investa Office Development Pty Limited on 15 June 2015). However, this agreement can be terminated in certain circumstances.

7.3 Fee structure

ILFML and other subsidiaries of IOM are entitled to certain fees in relation to the services provided to IOF as summarised below.

Table 5: Summary of management fees payable by IOF

Type of fee or cost	Entitlement
Responsible entity fees	0.1375% of the previous quarter's VWAP market capitalisation, with a cap/floor representing +/- 2.5% of the prior quarter's invoiced fees
Project management fees	- For works <$51,000: 1.8% of the cost of capital works - For works $51,000 to $200,000: fixed at $3,600 - For works >$200,000: 1.8% payable on a sliding scale dependant on the project stage
Property management fees	
Management fees, general	The higher of, 2% of gross income or, $10 per square metre
Management fees, specific	- Piccadilly Complex, Sydney: 1% of gross income - 126 Phillip Street, Sydney: 1.26% of FY15 gross income - 242 Exhibition Street, Melbourne: 0.91% of FY15 gross income - 567 Collins Street, Melbourne: $340,000 p.a. (approx. 90bps of gross income)
Leasing fees	- New/relocation fees: 10% to 15% of first year income based on lease term less than 3 years to more than 7 years - Lease renewal fees: 7.5% of first year gross income - Fee for additional space: 7% of first year gross income - Fee for market rent review: 10% of first year gross income
Other fees	- Safety Health and Environmental Management Systems fee of $10,000 p.a. - Employment costs are on-charged in addition to the fees - Direct salaries and wages (currently $701,563 p.a.)

Source: The Constitutions, Project and Property Management Agreements of IOF

7.4 Board of directors and senior management

IOM is responsible for appointing or removing the board members of ILFML, however, the appointment of independent directors is subject to ratification by the IOF Unitholders at an annual general meeting. IOF Unitholders have no ability to nominate, appoint or remove board members.

Effective 31 October 2015, Mr. Scott MacDonald, Non-Executive Director, resigned and Mr. Campbell Hanan ceased as an Alternate Executive Director. Mr. Jonathan Callaghan resigned as Executive Director and Company Secretary of ILFML, effective 28 January 2016. As a result, the ILFML board comprises an Independent Chairman and two Independent Directors and the senior management team consists of one Group Executive.

ILFML's current Board of Directors and senior management are summarised in the table below:

Table 6: IOF directors and senior management

Board members	Senior management
Deborah Page AM (Independent Non-Executive Chairman)	Ming Long (Group Executive, IOF Fund Manager)
Peter Rowe (Independent Non-Executive Director)	
Peter Dodd (Independent Non-Executive Director)	

Source: IOF

7.5 Investment property portfolio

As at 31 December 2015, IOF held a portfolio of 22 high-grade office properties located in the CBDs of Sydney, Melbourne, Brisbane, Perth and Canberra with a total carrying value of approximately $3.5 billion. The composition of IOF's investment property portfolio as at 31 December 2015 by investment grade and location (by carrying value) is illustrated below.

Figure 4: IOF portfolio by investment grade

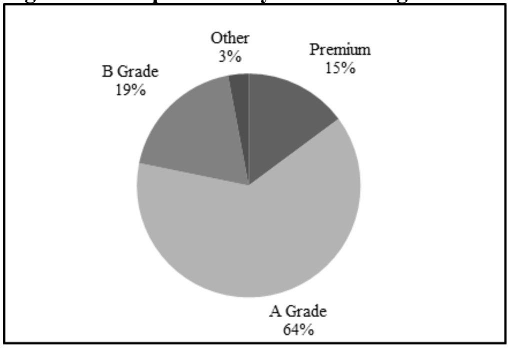
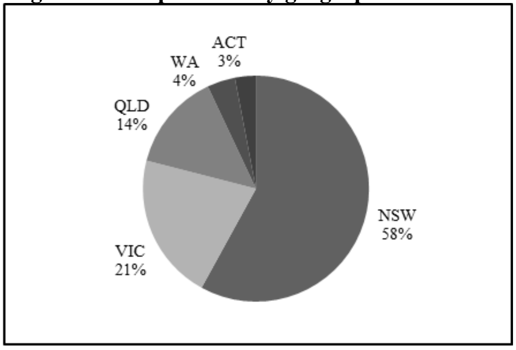


Figure 5: IOF portfolio by geographic location



Source: IOF

The portfolio is heavily weighted towards A-grade office assets, which represented approximately 64% of the portfolio at 31 December 2015. Additionally, around 80% of the portfolio is located in the strongly performing Sydney/North Sydney and Melbourne CBDs. IOF's exposures to office property in the weaker Brisbane and Perth markets are 14% and 4%, respectively.

IOF's portfolio listing as at 31 December 2015 is summarised below.

Table 7: IOF portfolio listing as at 31 December 2015

Property	Ownership percentage (%)	Grade	31-Dec-15 book value ($m)	Capitalisation rate (%)	Percent of total (%)
New South Wales					
Piccadilly Complex, Sydney[1]	50%	A/B	238.2	6.24%	6.8%
6 O'Connell Street, Sydney	100%	B	162.7	6.25%	4.6%
10-20 Bond Street, Sydney[2]	50%	A	227.9	5.81%	6.5%
388 George Street, Sydney[3]	50%	A	210.1	6.00%	6.0%
347 Kent Street, Sydney	100%	A	275.0	6.13%	7.9%
151 Clarence Street, Sydney[4]	100%	Development	88.2	n/a	2.5%
99 Walker Street, North Sydney	100%	A	214.7	6.00%	6.1%
105-151 Miller Street, North Sydney	100%	A	225.0	6.75%	6.4%
111 Pacific Highway, North Sydney	100%	A	173.1	6.50%	4.9%
Total			**1,815.0**	**6.20%**	**51.9%**
Victoria					
383 La Trobe Street, Melbourne[5]	100%	B	70.5	N/A	2.0%
800 Toorak Road, Tooronga[6]	50%	B	127.0	6.00%	3.6%
Total			**197.5**	**6.00%**	**5.6%**
Queensland					
239 George Street, Brisbane	100%	B	127.3	7.75%	3.6%
15 Adelaide Street, Brisbane	100%	B	55.5	8.25%	1.6%
140 Creek Street, Brisbane	100%	A	169.0	7.50%	4.8%
295 Ann Street, Brisbane	100%	A	109.9	7.75%	3.1%
232 Adelaide Street, Brisbane	100%	B	16.0	8.25%	0.5%
Total			**477.7**	**7.74%**	**13.7%**
Western Australia					
66 St Georges Terrace, Perth	100%	A	65.6	7.75%	1.9%
836 Wellingtone Street, Perth	100%	A	69.5	7.50%	2.0%
Total			**135.0**	**7.62%**	**3.9%**
Australian Capital Territory					
16-18 Mort Street, Canberra	100%	B	93.8	6.25%	2.7%
Total consolidated			**2,719.0**	**6.55%**	**77.7%**
126 Phillip Street, Sydney[7]	25%	Premium	232.7	5.00%	6.7%
567 Collins Street, Melbourne[8]	50%	Premium	289.8	5.50%	8.3%
242 Exhibition Street, Melbourne[9]	50%	A	257.5	6.25%	7.4%
Total equity accounted			**780.0**	**5.60%**	**22.3%**
Total investment property portfolio			**3,499.0**	**6.33%**	**100.0%**

Source: IOF, table may not cast due to rounding

Note 1: Co-investor is Stockland

Note 2: Co-investor is Mirvac Group

Note 3: Co-investor is Brookfield

Note 4: On 23 April 2015 the property at 151 Clarence Street, Sydney received Stage 2 development approval to demolish the existing building and construct a new A-grade tower. The independent valuation included the following factors to determine the property's fair value: income streams up until the date of current lease expiries; development costs to complete; and the estimated market value as if proposed development were complete.

Note 5: Asset contracted for sale. The book value represents the contracted sale price less committed costs.

Note 6: Co-investor is EPC Pacific

Note 7: Co-investors are ICPF (50%) and CIC (25%)

Note 8: Co-investor is ICPF. The property reached practical completion on 7 July 2015.

Note 9: Co-investor is ICPF

During the 2014 financial year, IOF acquired interests in three Sydney assets (99 Walker Street, North Sydney, Piccadilly Complex, Sydney and 6 O'Connell Street, Sydney) for a total consideration of $454.2 million (before settlement adjustments and transaction costs). In the 2015 financial year, it sold 628 Bourke Street, Melbourne for $129.6 million. On 17 July 2015, IOF exchanged contracts for the sale of 383 La Trobe St, Melbourne for $70.7 million (subject to settlement adjustments and transaction costs). The contract for sale entitles IOF to a 15% non-refundable deposit and includes a deferred settlement period of 12 to 18 months from the date of exchange.

In March 2013, IOF invested together with ICPF in the development of 567 Collins Street, Melbourne, which achieved practical completion on 7 July 2015. In April 2015, Stage 2 development approval was received for 151 Clarence Street, Sydney, to allow the construction of a new A-grade tower. Development is scheduled to commence in March 2016 and is expected to be completed in late 2018. The book value reflects the valuation on an 'as if complete' basis 'less costs to complete, in line with market practice'.

A number of properties are held jointly with third parties under co-investor agreements. Certain agreements provide third parties with pre-emptive rights to acquire IOF's interest in the property under specified conditions. In particular, in the event of a change of control of IOF, Mirvac may have a pre-emptive right to acquire IOF's 50% interest in 10-20 Bond Street, Sydney and Brookfield may have a pre-emptive right to acquire IOF's 50% interest in 388 George Street, Sydney.

A summary of the key statistics of the Australian portfolio as at 30 June 2014, 30 June 2015 and 31 December 2015 is presented below.

Table 8: IOF Australian portfolio summary

As at	30-Jun-14	30-Jun-15	31-Dec-15
Weighted average capitalisation rate (by book value)[1]	7.3%	6.9%	6.3%
Occupancy (by income)[1]	93%	93%	94%
Tenant retention (by income)	68%	62%	64%
Weighted average lease expiry (by lettable area)[1]	5.0yrs	5.2yrs	5.0yrs
Number of investments	23	22	22

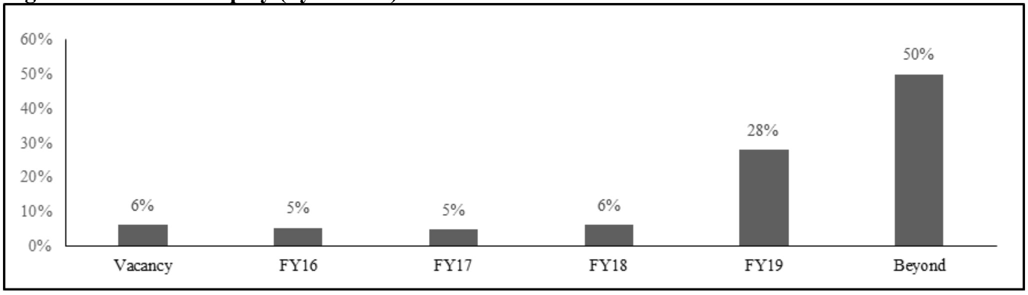
Source: IOF Annual Reports for FY14 and FY15 and Financial Statement for the half year to 31 December 2015
Note 1: Excludes properties under development

Since 30 June 2013, IOF's weighted average capitalisation rate (by book value) has compressed. The greatest compression has occurred in the Sydney and Melbourne markets.

Over the half year ended 31 December 2015, vacancy rates declined from 7% to 6% across the portfolio, with the majority of vacancies in Brisbane and Perth. In addition, IOF's tenant retention (by income) was 64% as at 31 December 2015, with greater tenancy demand experienced in Sydney and Melbourne office markets expected to absorb future vacancies.

As at 31 December 2015, the portfolio had a weighted average lease expiry (WALE) of 5.0 years, as illustrated below.

Figure 6: IOF lease expiry (by income) as at 31 December 2015[1]



Source: IOF Management
Note 1: Excludes 151 Clarence Street, Sydney

A number of leases expire in the 2019 fiscal year (approximately 28% of income is at risk).

The composition of tenants is relatively concentrated, with its largest three tenants (ANZ Banking Corporation, Telstra Corporation and the Commonwealth of Australia) representing 28% of the portfolio (by income). Tenants operate in both public and private sectors.

7.6 Financial performance

The financial performance of IOF for the years ended 30 June 2014 and 2015 and six months ended 31 December 2015 is summarised on the next page.

Table 9: Financial performance of IOF

Period	**12 months to**	**12 months to**	**6 months to**
$ million unless otherwise stated	**30-Jun-14**	**30-Jun-15**	**31-Dec-15**
Net property income[1]			
Australia	173.1	186.9	101.6
Europe	11.0	2.2	-
Net property income	**184.1**	**189.1**	**101.6**
Responsible entity's fees	(10.1)	(11.1)	(6.0)
Foreign asset management fees	(0.4)	(0.2)	-
Other expenses	(3.0)	(3.2)	(1.2)
EBIT	**170.6**	**174.6**	**94.4**
Net interest expense	(30.3)	(31.7)	(19.7)
Amortisation of incentives	22.0	26.4	15.3
Other income/(expenses)	0.3	0.6	-
FFO[2]	**162.6**	**169.9**	**90.0**
Net gain/(loss) on change in fair value of:			
Investment properties[3]	42.6	129.5	196.8
Derivative financial instruments[4]	(5.6)	87.8	32.3
Net foreign exchange gain/(loss)	13.1	(77.0)	(21.6)
Amortisation of incentives	(22.0)	(26.4)	(15.3)
Straight lining of lease revenue	(3.2)	(1.4)	(0.5)
Transfer of foreign currency translation reserve to profit and loss on sale of	-	(104.7)	-
Transaction costs (Proposal and Strategic Review)	-	-	(0.6)
Tax benefit	8.6	6.2	-
Other[5]	(12.5)	(4.7)	(0.3)
Net profit attributable to IOF Securityholders	**183.6**	**179.2**	**280.8**
Statistics			
Net property income growth (continuing)	*6.8%*	*8.0%*	*6.1%*
Like-for-like net property income growth (continuing) [6]	*(0.4%)*	*(1.3%)*	*1.9%*
Look through interest cover ratio (times) [7]	*4.9x*	*4.4x*	*4.4x*

Source: IOF Annual Reports for FY14 and FY15 and Financial Statement for the half year to 31 December 2015; KPMG Corporate Finance analysis

Note 1: Net property income includes rental and other property income (net of amortisation of tenant incentives and leasing fees but excluding straight lining of lease revenue) less property expenses. Includes consolidated and equity accounted properties

Note 2: Property Council FFO consistent with funds from operations presented using principles of Property Council of Australia White Paper released in May 2013

Note 3: Includes the fair value of investment properties held by IOF and investment properties held through equity accounted investments

Note 4: Includes the fair value of derivatives held by the Group and derivatives held by equity accounted investments

Note 5: Other includes coupon interest, acquisition related costs, tax benefit from losses associated with offshore exit, derivative termination costs, residual income from DOF in FY14

Note 6: Only includes properties owned for the full 12 month period, excludes the impact of changes in ownership and development activities.

Note 7: Calculated as earnings before interest and tax (EBIT) dividend by net interest expense

In relation to the financial performance of IOF, we note:

- Australian net property income increased by 8.0% in the 2015 fiscal year as a result of full period contributions from Piccadilly Tower, 99 Walker Street and 6 O'Connell Street properties, partially offset by the divestment of 628 Bourke St, Melbourne in October 2014 and redevelopment of 16-18

Mort Street, Canberra. Excluding the impact of these transactions, like-for-like net property income declined by 1.3% as a result of lower occupancy for the Brisbane properties. Net property income increased by 6.1% in the six months to 31 December 2015 (relative to the corresponding period in the prior year), and included the contribution from 567 Collins Street, Melbourne, partly offset by a reduction in income following the sale of 628 Bourke Street, Melbourne

- European net property income in the 2015 fiscal year reflects residual income from IOF's 50% interest in Bastion Tower, Belgium, which was sold in March 2015
- responsible entity fees were 9.9% higher in the 2015 financial year as a result of strong growth in IOF's market capitalisation. In line with the fee structure, the fee was capped at 2.5% per quarter. Further detail on this pricing structure is found in Section 7.3
- other expenses in the 2015 financial year includes $1.9 million of fees to external service providers (e.g. audit, tax, legal, valuation, property due diligence), $0.7 million of ASX listing fees and $0.5 million of expenses related to the Morgan Stanley sales process. IOF incurred a further $0.6 million of costs related to the Proposal and the Strategic Review in the six months to 31 December 2015 (not included in FFO)
- net interest expense increased in the half year to 31 December 2015 relative to the prior year as interest on the loan to 567 Collins Street Trust was reclassified as net property income (rent and income guarantee on vacant space) from completion of the development of 567 Collins Street, Melbourne on 7 July 2015. Weighted average cost of debt decreased from 4.7% to 4.0% during the 2015 financial year and to 3.9% at 31 December 2015. Look through interest cover of 4.4 times at 31 December 2015 was above covenants (2.5 times)
- IOF is exposed to interest rate risk on its floating rate loans and interest rate and foreign exchange risk on the USPPs. It hedges these risks using interest rate derivative contracts and cross currency interest rate swaps. In each period, foreign exchange gains/(losses) resulting from the translation of US dollar denominated debt were largely offset by (losses)/gains in the mark-to-market of the cross currency interest rate swaps
- all properties were independently valued at 30 November 2015 (other than 383 La Trobe Street, Melbourne, which was held for sale), resulting in a $196.8 million net uplift in the carrying value of the portfolio. Asset values in Sydney and Melbourne increased by 9% and 6%, respectively, while the value of Brisbane properties increased by 3% and Perth properties declined by 15%. The uplift reflects increases in rental rates and compression in capitalisation rates for Sydney, Melbourne and Brisbane properties, partially offset by lower values for Perth assets to reflect continued office market softness
- under the current income tax legislation, IOF is not liable for Australian income tax as IOF Unitholders are presently entitled at year end to the income of the trust estate calculated in accordance with the Constitutions and applicable tax law. Tax income/benefit in the 2014 and 2015 financial years mainly relates to losses arising from the winding up of the overseas portfolio.

Distributions

Distributions paid by IOF for the years ended 30 June 2014 and 2015 and six months ended 31 December 2015 are set out in the table below.

Table 10: IOF distributions

Period **$ million unless otherwise stated**	**12 months to** **30-Jun-14**	**12 months to** **30-Jun-15**	**6 months to** **31-Dec-15**
Weighted average number of stapled securities entitled to distributions (000s)	614,047	614,047	614,047
FFO ($m)	162.6	169.9	90.0
Less maintenance capital expenditure, lease incentives and leasing costs	(33.5)	(52.4)	(23.8)
AFFO ($m)	129.1	117.5	66.2
Distributions for the period ($m)	113.6	118.2	60.2
Basic and diluted earnings per stapled security (cents)	29.9	29.2	45.7
FFO per stapled security (cents)	26.5	27.7	14.7
AFFO per stapled security (cents)	21.0	19.1	10.8
Distributions per stapled security (cents)	18.5	19.3	9.8
Payout ratio (FFO basis)[1]	70%	70%	67%
Payout ratio (AFFO basis)[2]	88%	101%	91%

Source: IOF Annual Reports for FY14 and FY15 and Financial Statement for the half year to 31 December 2015; KPMG Corporate Finance analysis
Note 1: Payout ratio was calculated as distributions per IOF Unit divided by FFO per IOF Unit
Note 2: Payout ratio was calculated as distributions per IOF Unit divided by AFFO per IOF Unit

In the 2015 financial year, FFO increased by 4.5%, although AFFO decreased by 9.0% largely as a result of approximately $15 million cash incentives provided for new leases at 99 Walker Street, North Sydney (acquired in July 2013) and the deferral of maintenance capital expenditure from the 2014 financial year to the 2015 financial year.

IOF targets a distribution payout ratio of 90% to 100% of AFFO through the cycle. In the 2015 financial year, distribution per Unit increased by 4.1%, resulting in a payout ratio of 101% of AFFO.

On 14 December 2015, IOF announced a distribution for the six months to 31 December 2015 of 9.8 cents per IOF Unit, which represents an increase of 2.6% relative to the previous half year. The distribution was paid on 29 February 2016.

7.7 Financial position

The financial position of IOF as at 30 June 2014, 30 June 2015 and 31 December 2015 is summarised on the next page.

Table 11: Financial position of IOF

As at **$ million unless otherwise stated**	**30-Jun-14**	**30-Jun-15**	**31-Dec-15**
Cash and cash equivalents	12.3	3.6	6.3
Trade and other receivables	20.2	18.2	17.1
Derivative financial instruments	3.1	-	-
Assets classified as held for sale[1]	171.4	-	70.5
Current assets	**207.0**	**21.8**	**93.9**
Loan to 567 Collins Street Trust	60.2	114.2	174.1
Investment properties	2,395.5	2,554.9	2,648.5
Equity accounted investments	476.4	543.7	605.9
Derivative financial instruments	3.4	86.6	117.7
Non-current assets	**2,935.5**	**3,299.4**	**3,546.2**
Total assets	**3,142.5**	**3,321.2**	**3,640.1**
Trade and other payables	38.2	29.9	31.7
Borrowings	228.0	61.9	270.9
Derivative financial instruments	-	2.5	1.2
Distribution payable	56.8	59.6	60.2
Liabilities directly associated with assets classified as held for sale	25.7	-	-
Current liabilities	**348.7**	**153.9**	**364.0**
Derivative financial instruments	19.2	9.1	9.2
Borrowings	716.2	935.3	823.4
Total non-current liabilities	735.4	944.4	832.6
Total liabilities	**1,084.1**	**1,098.3**	**1,196.6**
Net assets	**2,058.4**	**2,222.9**	**2,443.5**
Equity			
Contributed equity	2,142.3	2,142.3	2,142.3
Reserves	(103.5)	-	-
Retained Earnings	19.6	80.6	301.2
Total equity	**2,058.4**	**2,222.9**	**2,443.5**
Statistics			
Number of stapled securities ('000)	*614,047*	*614,047*	*614,047*
NTA per Unit ($) [2]	*3.35*	*3.62*	*3.98*
Gearing (look-through) [3]	*32.0%*	*28.8%*	*28.5%*

Source: IOF Annual Reports for FY14 and FY15 and Financial Statement for the half year to 31 December 2015; KPMG Corporate Finance analysis

Note 1: Assets and liabilities held for sale at 30 June 2014 relates to 628 Bourke Street, Melbourne, for which settlement was expected to occur in October 2014, and a 50% interest in Bastion Tower, Belgium. This account includes new $350 million bank debt facilities expiring in March 2017 and subsequent repayment of bank debt due in mid-2016

Note 2: NTA per Unit calculated as net tangible assets divided by the number of IOF Units at period end

Note 3: Look-through gearing is determined as total look-through debt divided by total look through assets. Total look-through debt is based on the A$ exposure of the USPPs after applying cross currency hedging arrangements. Total look-through assets comprise total assets adjusted for fair value of foreign currency derivative assets. The Gearing Ratio is calculated on a look-through basis, in which IOF's interest in joint venture arrangements and associates are proportionately consolidated based on IOF's ownership interest.

In relation to the financial position of IOF as at 31 December 2015, we note:

- IOF has advanced an interest bearing loan to 567 Collins Street Trust of $174.1 million to fund development. It is expected that the loan will be converted to an equity investment in the trust in the second half of the 2016 financial year
- IOF's 22 investment properties include direct ownership interests in 18 properties that are consolidated ($2,648.5 million), a direct ownership interest in 383 La Trobe Street, Melbourne, which is held for sale ($70.5 million) and three properties that are held through trusts and are equity accounted ($780 million). The book value at 31 December 2015 reflects the independent valuations at 30 November 2015, plus any capital expenditure and movements in tenant incentives during December 2015. The book value of 383 La Trobe Street, Melbourne, reflects the expected net sale proceeds
- equity accounted investments include:

Table 12: Equity Accounted Investments

Equity accounted investment (ownership interest %)	Underlying property (ownership interest %)	Book value at 31 December 2015 ($m)
242 Exhibition Street Trust (50%)	242 Exhibition Street, Melbourne (100%)	257.0
Phillip Street Trust (25%)	126 Phillip Street, Sydney (55%)	126.9
Macquarie Street Trust (25%)	126 Phillip Street, Sydney (45%)	105.5
567 Collins Street Trust (50%)	567 Collins Street, Melbourne (100%)	116.5
Total		**605.9**

Source: IOF Management

- as at 31 December 2015, IOF had commitments for capital expenditure on investment properties for which no provision had been made of $13.3 million
- the distribution for the six months ended 31 December 2015 was paid to IOF Unitholders on 29 February 2016. During the period ending 31 December 2015, ILFML and its related parties received or will receive $6.0 million in responsible entity's fees and $3.6 million in property management, leasing and project management fees
- NTA increased 8.0% to $3.62 at 30 June 2015 as a result of positive net revaluations and the sale of assets at a premium to book value[25] and a further 10.0% to $3.98 at 31 December 2015 as a result of the revaluation of the portfolio at 30 November 2015
- on 30 November 2015, IOF advised IOF Unitholders on the status of the ATO audit. The ATO has advised the Board and management that in respect of the audit that it does not intend, as its primary course, to amend the income of the trust or IOF Unitholders. No contingent liability has been disclosed in relation to the audit.

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[25] 383 La Trobe Street, Melbourne, was sold at a 31% premium to book value and 628 Bourke Street, Melbourne, was sold at a 14% premium to book value

Interest bearing liabilities

IOF has access to diverse capital markets. Details of the committed financing facilities available and debt maturity profile of IOF as at 31 December 2015 are set out below.

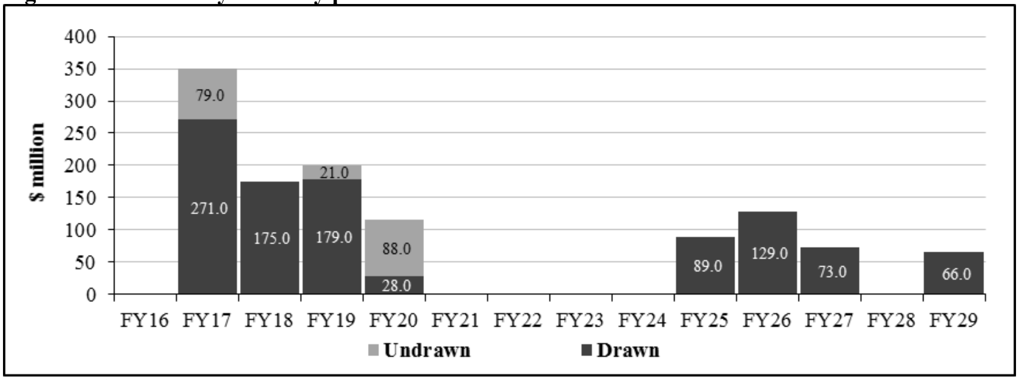
Table 13: IOF financing facilities as at 31 December 2015

$m unless otherwise stated	Total facility	Amount drawn	Available facility	Maturity	Security
Bank debt (A$)	648.0	528.0	120.0	Jun '16-Aug '19	Unsecured
Medium term notes (A$)	125.0	125.0	-	Nov-17	Unsecured
USPP (US$)[1]	444.8	444.8	-	Apr and Aug '25, Apr '27 and Apr '29	Unsecured
Total borrowings	**1,217.8**	**1,097.8**	**120.0**		
Less: capitalised borrowing costs		(3.5)			
Balance sheet debt		**1,094.3**			

Source: IOF Management
Note 1: USPP debt is denominated in US$, and converted to A$ at the prevailing exchange rate at period end

As at 31 December 2015, IOF had $120 million of undrawn facilities. The below figure presents the debt facility maturity profile.

Figure 7: Debt facility maturity profile as at 31 December 2015[1]



Source: Explanatory Memorandum
Note 1: Debt facility maturity profile assumes that all FY16 debt is refinanced
Note 2: The debt facility maturity profile represents the Group's look-through drawn debt, based on the AUD exposure on the US Private Placements after applying cross currency swap hedging arrangements

IOF has $150 million of bank debt maturing in June 2016 and a further $132 million maturing in August 2016. An additional $70 million of debt capacity is forecast to be required by the payment of the final 2016 distribution in August 2016. IOF have put in place new 12 month, $350 million facilities commencing on 7 March 2016 to refinance these near term maturities.

IOF has a BBB+ Standard & Poor's credit rating. At 31 December 2015, the weighted average maturity (look-through basis) on IOF's borrowings was 4.6 years. IOF targets look-through gearing in the range of 25% to 35%. As at 31 December 2015, look-through gearing of 28.5% was below the mid-point of this range.

The financial covenants relating to IOF's debt facilities, together with its actual performance with respect to each of these covenants, are set out on the next page.

Table 14: Financial covenants

Financial covenant	Covenant	30-Jun-14	30-Jun-15	31-Dec-15
Bank debt, medium term notes and USPP				
Look through leverage ratio[1]	less than 50%	35.2%	33.1%	32.9%
Look through interest cover	greater than 2.5x	5.0x	4.4x	4.4x

Source IOF Management
Note 1: Calculated as total liabilities divided by total assets on a look through basis

A change of responsible entity, change in the ownership of ILFML or change of control of IOF could lead to a number of risks, in particular triggering a review event on certain debt facilities held by IOF. A review event on any of IOF's debt facilities gives rise to the risk that the facility under review, in part or in full, is declared due and payable by lenders. If lenders to IOF under one debt facility require their debt to be repaid, in part or in full, cross default provisions could be triggered requiring IOF to repay its other debt facilities in part or in full, and potentially requiring the payment of make-whole amounts for certain debt facilities. In the event lenders require IOF to repay its debt, IOF would be required to refinance its existing debt facilities under current market conditions.

The IBC has been advised that the required waivers in relation to the sale of IOMH have been received from the relevant lenders.

ILFML on behalf of DEXUS RE has obtained consents and waivers from IOF's bank debt facility providers (including in relation to ISDAs) to allow all aspects of the Proposal to be implemented, DEXUS' post implementation intentions to be implemented and DEXUS RE to replace ILFML as responsible entity of IOF without causing a review event or default to be triggered under the IOF debt facilities. We understand that ILFML on behalf of DEXUS RE is seeking consents from the USPP holders and will be seeking consent from the MTN holders, however, as at the date of this report those consents have not yet been received.

Interest rate swaps

IOF uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risk on borrowings (some of which is denominated in US dollars). IOF's policy is to hedge 30% to 80% of interest rate exposures occurring in the first three years and between nil and 75% of exposures occurring after three years. As at 31 December 2015, interest rate exposures were 39.6% hedged. The net balance (mark-to-market) of derivatives as at 31 December 2015 was an asset of $107.3 million.

7.8 Capital structure

As at 3 March 2016, IOF had 614,047,458 securities on issue and 15,079 registered unitholders. The top 10 registered Unitholders accounted for 81% of units on issue. As at 3 March 2016, retail investors (holdings of less than 10,000 securities) accounted for 7% of units on issue.

IOF had a number of substantial unitholders as at 3 March 2016 as presented below:

Table 15: Substantial holder notices lodged by IOF Unitholders as at 3 March 2016

Name of substantial unitholder	Date of notice	Number of stapled securities held	Percentage of issued capital
Mitsubishi UFJ Financial Group Inc	21-Jan-15	72,943,658	11.88%
Morgan Stanley Investment Management Company	21-Jan-15	72,351,298	11.78%
CBRE Clarion Securities LLC	23-Dec-15	64,321,422	10.47%
Investa Office Management Holdings Pty Ltd	10-Oct-14	54,543,259	8.88%
The Vanguard Group, Inc.	31-Aug-15	43,421,668	7.07%
State Street Corporation	8-May-15	34,229,024	5.57%

Source: ASX announcements

Mitsubishi UFJ Financial Group Inc (Mitsubishi) has a relevant interest in the IOF Units that Morgan Stanley Investment Management Company has a relevant interest in under Section 608(3) of the Corporations Act, as Mitsubishi has voting power of over 20% of Morgan Stanley Inc.

Directors' interests

As at 3 March 2016, the Directors of IOF held the following securities (directly or indirectly).

Table 16: Director's relevant interests at 3 March 2016

Name	Position	No. of units held at 3 March 2016
Deborah Page AM	Independent Non-Executive Chairman	29,450
Peter Dodd	Independent Non-Executive Director	19,902

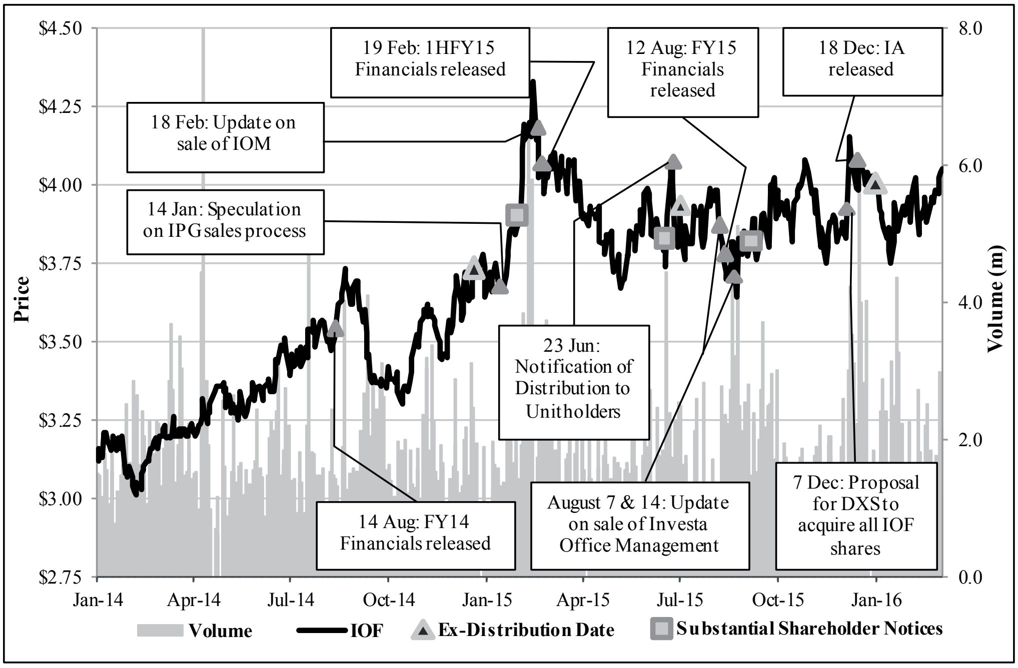
Source: S&P Capital IQ, data as at 3 March 2016

7.9 Security price performance

7.9.1 Recent security market trading

The trading price and volume of IOF Units from 1 January 2014 to 3 March 2016 is set out on the next page.

Figure 8: Trading price and volume of IOF



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

The IOF Unit price increased strongly from a low of $3.00 on 6 February 2014 to reach a high of $4.34 on 13 February 2015, mainly reflecting the positive re-rating of the A-REIT sector. In particular, the historically low cash rate increased demand for higher yield securities such as REITs while the depreciation of the Australian dollar has increased the attractiveness of Australian property to foreign investors. During this period, there has also been speculation as to consolidation in the sector, including ongoing press speculation of a potential takeover of IOF throughout 2014[26]. In addition, the A-REIT sector performed strongly following the announcement on 3 February 2015 of the $12 billion merger between retail A-REITs, Novion Property Group and Federation Centres.

The sharp increase in the IOF Unit price (on heavy trading) in mid-February 2015 coincided with speculation that Morgan Stanley was looking to sell the Investa real estate platform, potentially providing IOF with an opportunity to internalise the management rights and/or triggering a takeover offer for IOF.[27]

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[26] For example, AFR, "Takeover rumours persist over Australand and IOF", AFR, 14 February 2014 and "Investors mull Investa Office Fund bid", The Australian, 14 July 2014

[27] "Banks vie for role as Investa real estate platform set for sale", The Australian, 14 January 2015

Also at this time, Morgan Stanley and Mitsubishi[28] increased their interests in IOF and AMP became a substantial unitholder.

From the peak on 13 February 2015, the security price declined by around 9% to $3.93 on 24 February 2015. The decline followed ILFML's announcement that the IBC had been unable to reach commercial terms on a potential acquisition of the management rights by IOF, the release of earnings for the half year ended 31 December 2014 (which indicated that like-for-like net property income growth was negative and vacancy rates remained high at 7%) and AMP ceasing to be a substantial unitholder.

The IOF Unit price continued to decline in line with other office sector A-REITs, reaching a low of $3.62 in mid-May 2015 as a result of higher vacancies in the Australian CBD office market coupled with an increase in supply risk. It then traded in a wide range of $3.57 to $4.11 until the announcement of the Proposal. Volatility in the IOF Unit price over this period likely reflects:

- the substantial volatility of the broader equities market
- the impact of dividends (the security price peaked at $4.10 on 24 June 2015 as it traded cum dividend, then declined on 26 June 2015, the ex dividend date)
- uncertainty as to the ownership of IOF and the management rights. The IOF Unit price increased following the mid-August 2015 announcement of the strategic review, then declined to reach a low of $3.57 on 25 August 2015. This decline followed the IBC's announcement on 7 August 2015 that it had been advised that IOF was unable to purchase IOM from Morgan Stanley and on 14 August 2015 that Morgan Stanley had advised the IBC that Mirvac Group had been provided with an exclusivity period to potentially acquire IOM. The Unit price declined again following the announcement on 29 October 2015 that Morgan Stanley had agreed a non-binding term sheet with ICPF and had granted them a period of exclusivity to potentially acquire IOM
- purchases of large blocks of securities (Vanguard increased its interest on 31 August 2015 and CBRE increased its unitholding on 19 June 2015 and 28 August 2015).

On the announcement of the Proposal on 7 December 2015, the IOF Unit price increased strongly, then broadly tracked the S&P/ASX 200 A-REIT (Sector) Index (A-REIT Index).

7.9.2 Liquidity

An analysis of the volume of trading in the IOF Units, including the volume weighted average price (VWAP) for the period up to 4 December 2015 (the last trading day before the announcement of the Proposal) and the period after this date until 3 March 2016, is set out on the next page.

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[28] Mitsubishi UFJ Financial Group Inc has a relevant interest in IOF Units, that Morgan Stanley has a relevant interest in under Section 608(3) of the Corporations Act, as Mitsubishi UFJ Financial Group Inc has voting power of over 20% in Morgan Stanley Inc.

Table 17: Volume of trading in IOF Units

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
Period ended 3 March 2016						
1 day	4.02	4.07	4.02	8.7	2.2	0.4
1 week	3.91	4.07	3.99	38.5	9.6	1.6
1 month	3.81	4.07	3.94	128.3	32.5	5.3
Period ended 4 December 2015						
1 day	3.78	3.83	3.81	6.0	1.6	0.3
1 week	3.78	3.94	3.86	34.7	9.0	1.5
1 month	3.73	4.00	3.86	127.4	33.1	5.4
3 months	3.73	4.11	3.90	415.5	106.6	17.4
6 months	3.57	4.11	3.86	892.6	231.1	37.6
12 months	3.54	4.34	3.89	1,778.6	457.5	74.5

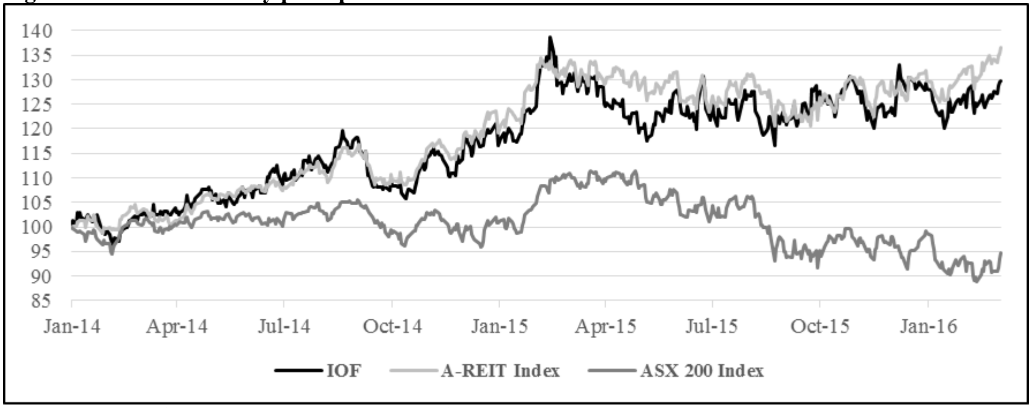
Source: S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: 4 December 2015 represents the last trading day prior to the announcement of the Proposal

During the six month period prior to 7 December 2015, 37.6% of issued securities were traded. This level of liquidity indicates that there is an active market for IOF Units notwithstanding IOF's limited free float of 78% (based on Morgan Stanley's 11.8% substantial holding and CBRE's 10.5% interest).

7.9.3 Relative security price performance

IOF is a member of a number of various indices, including the S&P/ASX 200 Index (ASX 200 Index) (0.2%), A-REIT Index (2.3%) and S&P/ASX 200 Office A-REIT Index (Office A-REIT Index) (21.0%). The performance of IOF Units from 1 January 2014 to 3 March 2016, relative to the ASX 200 Index and A-REIT Index (rebased to 100) is illustrated below.

Figure 9: Relative security price performance



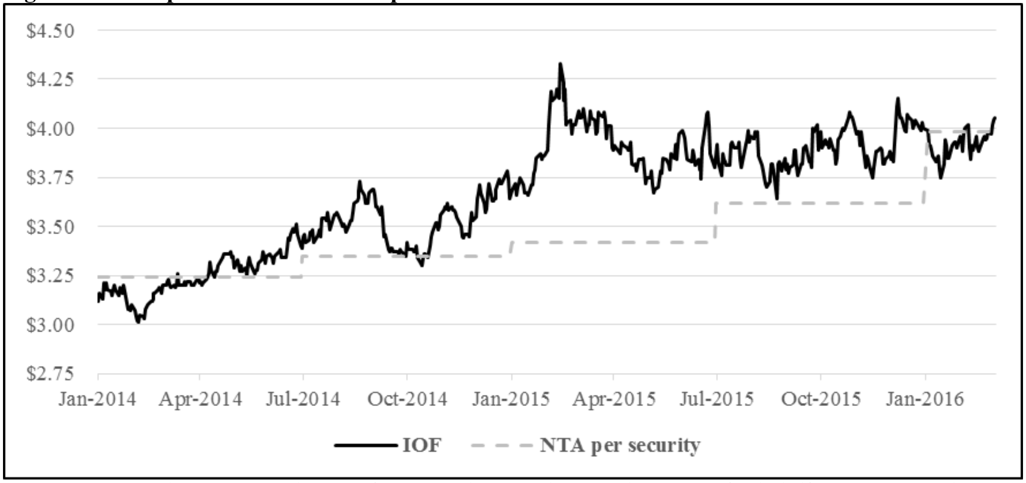
Source: S&P Capital IQ; KPMG Corporate Finance analysis

The IOF Unit price has generally mirrored the A-REIT Index, with brief periods of under and over performance during 2015 reflecting uncertainty regarding the ownership of IOF and its management rights, speculation of a potential transaction and the performance of the office sector relative to the other property sectors. In particular, the IOF Unit price underperformed the A-REIT Index from mid-February 2015 until early-May 2015, as a result of uncertainty around the ownership of the management rights, before outperforming the A-REIT Index in May 2015 as vacancy rates in the Sydney and Melbourne office markets improved.

7.9.4 Security price relative to NTA

The price of the IOF Units relative to reported NTA per Unit from 1 January 2014 to 3 March 2016 is illustrated below.

Figure 10: Unit price relative to NTA per Unit



Source: S&P Capital IQ; IOF Annual Reports for FY14 and FY15 and Financial Statements for the half year to 31 December 2015; KPMG Corporate Finance analysis

Consistent with most listed REITs, IOF Units have generally traded at a premium to NTA since early 2014. The premium peaked in mid-February 2015 as a result of expectations of higher 31 December 2014 property values, positive economic sentiment and market speculation of a potential takeover of IOF.

The average IOF Unit price based on the six month VWAP to 4 December 2015 (the last trading day prior to the announcement of the Proposal) of $3.86 represented a 6.6% premium relative to the 30 June 2015 NTA ($3.62). While difficult to quantify, reasons for the premium may include:

- potential capitalisation rate compression which had not yet been reflected in NTA
- speculation of a takeover of IOF
- a move away from more volatile equities, particularly given share market volatility in the six months to December 2015
- more broadly, investor flight to higher yield industries, such as REITs, as the cash rate remained at historical lows.

On 30 November 2015, IOF announced that the revaluation of the IOF portfolio was expected to result in an 8% increase in the 30 June 2015 NTA (i.e. to $3.91). The IOF Unit price did not increase substantially following this news (probably due to the fact that investors had already reflected further increases in valuations into their assessment of IOF's Security price) and the closing IOF Unit price on 4 December 2015 of $3.83 represented a 2.0% discount to the adjusted NTA.

7.10 Outlook

On 18 February 2016, IOF announced revised 2016 financial year guidance, FFO per IOF Unit of 28.4 cents (a 2.5% increase on the 2015 financial year) and a distribution of 19.6 cents per IOF Unit (an increase of 1.8%), assuming no change in the ownership structure of IOF, no debt restructure associated with the potential change in ownership of the Responsible Entity, no further acquisitions or disposals, and is subject to prevailing market conditions. This increase is attributed to:

- growth in underlying tenant demand, particularly in Sydney and Melbourne
- improvement in vacancy rates in Brisbane
- de-risking of lease expiries, which is supported by the securing of a majority of income for the 2016 financial year
- includes line fees and establishment fees relating to the banking facility from 1 March 2016, however, does not assume that the loans are called or derivatives cancelled

In relation to the forecast, it is noted:

- rental income has been forecast on a property-by-property basis based on existing leases and assumptions for occupancy rates, tenant retention, incentives and market rentals. These are broadly consistent with assumptions adopted for independent valuation purposes
- direct property expenses have been forecast on a property-by-property basis based on current outgoings expectations
- IOF's current standalone debt for FY16 will be drawn at average gross interest rates (including the impact of derivatives) of approximately 4.0% based upon IOF's financing facilities and IOF's expectation of interest rates for FY16.

8 Profile of DEXUS

8.1 Overview

DEXUS is an internally managed A-REIT listed on the ASX. It invests in, develops, manages and trades Australian office and industrial property. DEXUS also develops and manages Australian office, industrial and retail property on behalf of third party clients which are mainly domestic and international pension funds. As at 31 December 2015, it had $21.1 billion in AUM comprising a $10.5 billion investment property portfolio and $10.6 billion in third party funds management. In addition, it has a $3.2 billion development pipeline. It has a market capitalisation of approximately $7.6 billion as at 3 March 2016.

DEXUS was formed in 2004 through the stapling of three ASX listed REITs, Deutsche Office Trust (DOT), Deutsche Industrial Trust (DIT), Deutsche Diversified Trust (DDT) and DB RREEF Operations Trust (DXO), DXO held a 50% interest in DEXUS Funds Management Limited (DEXUS RE). In addition it also acquired a 50% interest in Deutsche Bank's management rights. It expanded until 2007 via the acquisition of an industrial property portfolio in Europe and further industrial assets in the United States. In 2008, it acquired the remaining 50% interest in DEXUS RE from Deutsche Bank and was rebranded 'DEXUS Property Group'.

Following the global financial crisis in 2008, DEXUS divested its non-core United States and European industrial assets and Australian retail assets held on balance sheet and the proceeds were used to repay debt, restructure its business and revise its distribution policy.

In August 2012, DEXUS announced a group strategy whereby it would refocus its business on high quality Australian office properties and expand its third party funds management platform. Since then, DEXUS has:

- divested its remaining United States and European assets in 2012 and 2013
- acquired $1.7 billion of investment properties (net of divestments) for the DEXUS portfolio and $3.2 billion (net of divestments) on behalf of third party funds
- attracted more than $4 billion of third party funds and established relationships with three major investors
- partnered with Canada Pension Plan Investment Board (CPPIB) in April 2014 to acquire the $3.4 billion Commonwealth Property Office Fund (CPA) and form the DEXUS Office Partnership
- grown its trading portfolio.

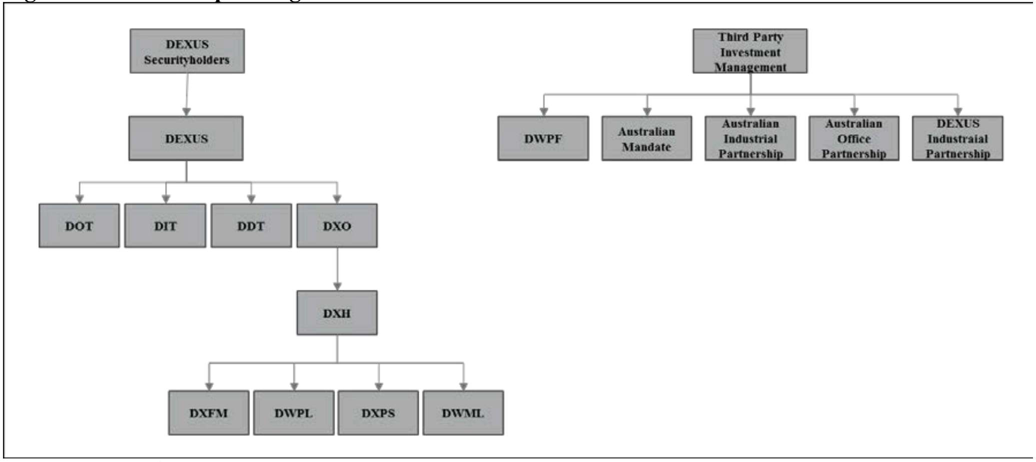
DEXUS' strategy is to be the leading owner and manager of office property in Australia, maintain strong tenant relationships, be the wholesale partner of choice for Australian office, industrial and retail property and actively manage property risk.

8.2 Operations

DEXUS is a quadruple stapled entity comprising three trusts that hold its property investment portfolio (DOT, DIT and DDT) and DEXUS Operations Trust (DXO). DXO owns DEXUS Funds Management Limited (DEXUS RE), the responsible entity for each of the investment trusts and investment manager for private client property mandates, and DEXUS Wholesale Property Limited (DWPL), the responsible entity of DEXUS Wholesale Property Fund (DWPF).

The operating structure of DEXUS is summarised below.

Figure 11: DEXUS operating structure



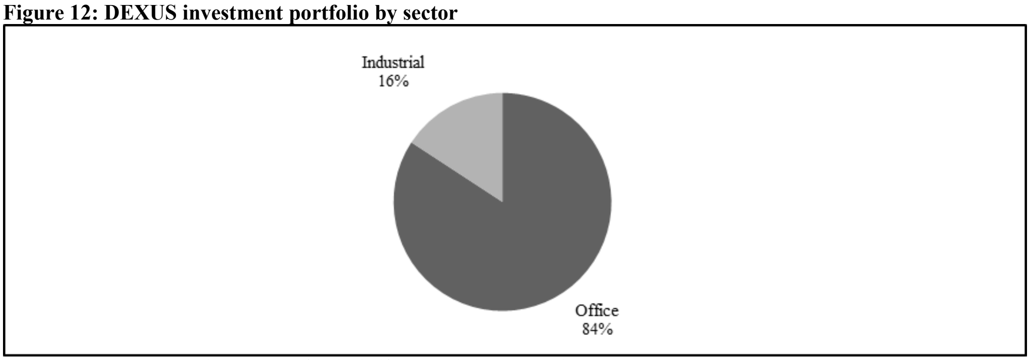
Source: DEXUS website

DEXUS' $21.1 billion AUM comprises a diverse mix of office, industrial and retail properties and includes a $10.5 billion investment property portfolio and $10.6 billion in third party mandates. As one of the largest office managers and one of the largest industrial managers in Australia, DEXUS manages approximately 1.8 million square metres of office space, 1.8 million square metres of industrial space and 0.8 million square metres of retail space and employs more than 360 property professionals and has offices in Sydney, Melbourne, Brisbane and Perth.

8.3 Investment property portfolio

As at 31 December 2015, DEXUS' $10.5 billion investment property portfolio comprised 103 properties that had a weighted average capitalisation rate of 6.5% and average occupancy of approximately 94.1% for office and 93.4% for industrial. The portfolio was weighted 84% towards office properties and 16% towards industrial properties. DEXUS also had a $1.1 billion development pipeline.

Figure 12: DEXUS investment portfolio by sector



Source: DEXUS Financial Statements for the half year ended 31 December 2015.

Office property portfolio

DEXUS' $8.8 billion office portfolio comprises 49 properties with net lettable area of 0.9 million square metres on an ownership adjusted basis, total net lettable area is 1.6 million square metres.

Figure 13: Office portfolio by investment grade

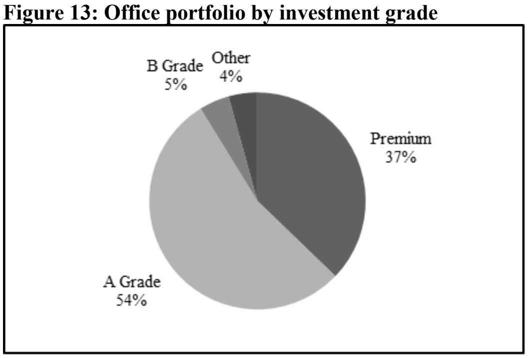
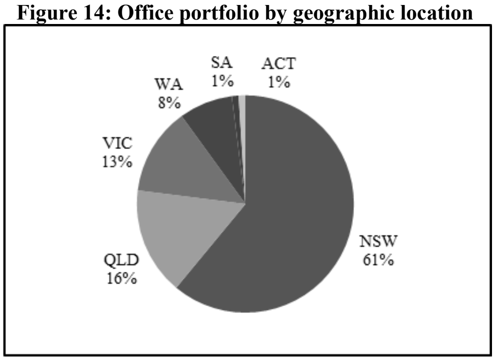


Figure 14: Office portfolio by geographic location



Source: DEXUS Half Year FY16 Results Presentation

The office portfolio consists of primarily high quality CBD office properties. Premium and A-grade office assets represent approximately 37% and 54% of the portfolio, respectively. DEXUS has a 13% weighting in the Melbourne office market and a 61% exposure to the Sydney office markets.

DEXUS' tenant profile is relatively diverse, with the ten largest tenants accounting for 24.5% of the office portfolio (by income) as at 31 December 2015. Tenants operate in both public and private sectors, with the top three tenants being Woodside Energy, Commonwealth of Australia and Wilson Parking Australia.

As at 31 December 2015, the portfolio had a WALE (by income) of 4.4 years, occupancy (by income) of 94.1%, tenant retention of 56% and a weighted average capitalisation rate of 6.30%. Approximately 70.2% of leases (by income) expire in the 2019 financial year and beyond.

Industrial property portfolio

DEXUS' $1.7 billion industrial property portfolio comprises 54 properties with a total net lettable area of $1.0 million square metres (on an ownership adjusted basis).

Figure 15: Industrial portfolio by asset type

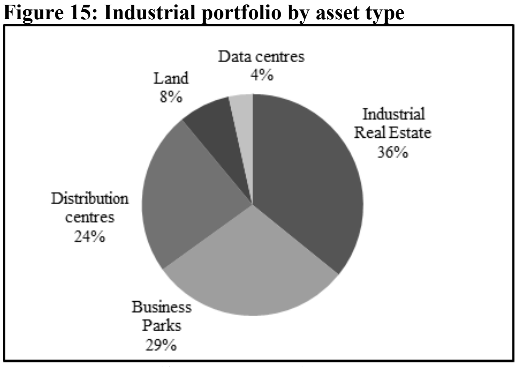
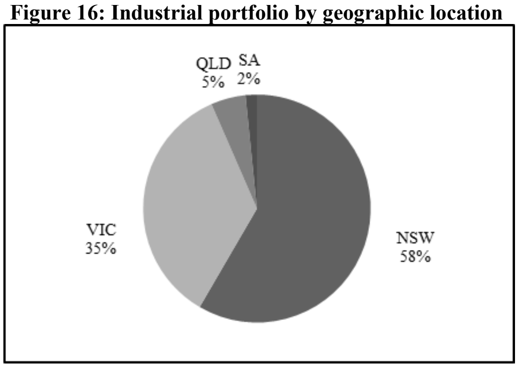


Figure 16: Industrial portfolio by geographic location



Source: DEXUS Half Year FY16 Results Presentation

The industrial portfolio consists of a mix of assets. The properties are primarily located in Sydney, New South Wales and Melbourne, Victoria.

DEXUS' tenant profile is diverse, with the ten largest tenants accounting for 4.6% of the industrial portfolio (by net lettable area) as at 31 December 2015. Tenants operate mainly in private sectors, with the top three tenants being Wesfarmers Limited, AWH Pty Ltd and IBM Australia.

As at 31 December 2015, the portfolio had a WALE (by income) of 4.6 years, occupancy (by income) of 93.4%, tenant retention of 32% and weighted average capitalisation rate of 7.56%. Approximately 64.7% of leases (by income) expire in the 2019 financial year and beyond.

Development

DEXUS has a $1.1 billion development pipeline, including $0.9 billion of committed projects (of which $0.6 billion spend is remaining) including $0.7 billion of office properties and $0.2 billion of industrial properties. Uncommitted projects of $0.3 billion include $0.2 billion of office properties and $0.1 billion of industrial properties.

8.4 Third party funds management and property services

DEXUS' funds management platform undertakes funds management, asset management and development management of a diverse portfolio of office, industrial and retail properties on behalf of 48 third party partners and funds. The platform generates annuity style revenue with no performance fees.

Since 30 June 2012, DEXUS has grown its third party funds management platform from $5.7 billion to $10.6 billion as at 31 December 2015.

Figure 17: DEXUS third party funds by mandate

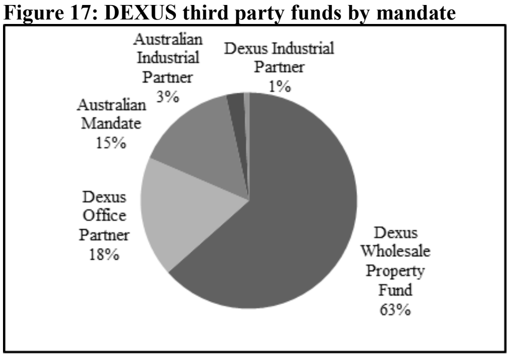
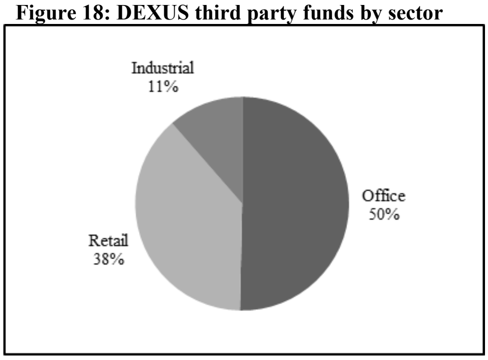


Figure 18: DEXUS third party funds by sector



Source: Explanatory Memorandum

DEXUS' third party mandates include:

- DWPF, a $6.7 billion open ended unlisted wholesale fund that holds interests in a diversified portfolio of 39 office, industrial and retail properties throughout Australia on behalf of 44 wholesale investors
- a dedicated $1.6 billion diversified Australian property mandate for a private client which has 9 office, industrial and retail properties
- the Australian Industrial Partnership (AIP), an industrial joint venture held 50% by each of DEXUS and National Pension Service of Korea ($0.3 billion third party funds). The partnership has 21 properties since its establishment in October 2012
- DEXUS Office Partnership, a joint venture owned 50% by each of DEXUS and CPPIB that was formed in April 2014 to manage the portfolio acquired as part of the acquisition of CPA. The portfolio includes 28 office properties ($1.9 billion in third party funds)
- DEXUS Industrial Partnership, an industrial partnership held 50% by each of DEXUS and the Australian Future Fund ($0.1 billion third party funds). It was formed in June 2014 and has three properties under development and one income producing asset

DEXUS also undertakes development on behalf of third parties. As at 31 December 2015, it had a $2.1 billion third party development pipeline including $1.4 billion of committed projects (of which $0.7 billion spend is remaining) including $0.4 billion of office properties, $0.2 billion of retail properties and $0.1 billion of industrial properties. Uncommitted projects of $0.7 billion mainly include retail properties.

8.5 Trading

DEXUS' trading activities involve identifying opportunities and repositioning or developing properties to enhance value with the intention to sell. DEXUS commenced trading activities in 2010 and has established a robust trading portfolio.

Trading profits (after tax) of $42.6 million were realised in FY15, with more than 60% of trading profits realised from the active repositioning of office properties at 50 Carrington Street, Sydney, and 40 Market

Street, Melbourne. In July 2015, DEXUS settled on the sale of 5-13 Rothschild Avenue and 22-55 Rosebery Avenue, Rosebery and 154 O'Riordan Street, Mascot.

DEXUS holds six additional properties. These properties are expected to generate trading profits in the 2017 financial year and beyond. From the six properties held in DXO, DEXUS has identified an aggregate $110 million trading profit pre-tax to be delivered over the next four years (FY17 to FY20).

DEXUS is targeting trading profits of around $30 million (before tax) in each of the 2017 and 2018 financial years and around $20 million (before tax) per annum through the cycle.

8.6 Board of directors and senior management

The DEXUS RE Board comprises six independent directors (including the Chairman) and two executive directors. A Board Nomination Committee is responsible for nominating directors. While DEXUS RE Directors are not technically subject to the approval of DEXUS Securityholders, the DEXUS RE Board has determined that all DEXUS RE Directors, other than the Chief Executive Officer, will stand for election by DEXUS Securityholders. Other than the Chief Executive Officer, Directors hold office for three years from their first appointment (or, if appointed by the Board between DEXUS Annual General Meetings, from the date of the Annual General Meeting after the initial appointment).

On 26 November 2014, the DEXUS RE Board approved the policy that the minimum holding by each Non-Executive Director be set at 16,500 securities by 29 October 2017. Newly appointed Non-Executive Directors should hold 16,500 securities within three years of appointment.

DEXUS RE Board of Directors and senior management are summarised in the table below:

Table 18: DEXUS Board of directors and senior management

Board members	Senior management
Richard Sheppard (Independent Non-Executive Chairman)	Darren J Steinberg (CEO and Executive Director)
Elizabeth Alexander (Independent Non-Executive Director)	Alison Harrop (CFO)
Penny Bingham-Hall (Independent Non-Executive Director)	Craig D Mitchell (COO and Executive Director)
John C Conde (Independent Non-Executive Director)	Kevin George (EGM, Office and Industrial)
Tonianne Dwyer (Independent Non-Executive Director)	Brett Cameron (General Counsel and Company Secretary)
Craig D Mitchell (COO and Executive Director)	Deborah Coakley (EGM, People and Asset Solutions)
Darren J Steinberg (CEO and Executive Director)	Ross Du Vernet (EGM, Transactions and Developments)
Peter B St George (Independent Non-Executive Director)	David Yates (EGM, Investor Relations, Marketing & Communications)

Source: DEXUS Financial Statements for the Half Year Ended 31 December 2015 and DEXUS website

8.7 Financial performance

The financial performance of DEXUS for the years ended 30 June 2014 and 2015 and six months ended 31 December 2015 is summarised below.

Table 19: DEXUS financial performance

Period $ million unless otherwise stated	12 months to 30-Jun-14	12 months to 30-Jun-15	6 months to 31-Dec-15
Office property FFO	455.4	533.3	272.3
Industrial property FFO	122.8	112.3	52.5
Total property FFO	**578.2**	**645.6**	**324.8**
Management operations FFO	27.9	37.9	18.9
Group corporate	(27.5)	(30.4)	(16.0)
Net finance costs	(139.4)	(150.8)	(66.9)
Other	3.1	(0.4)	(0.2)
Underlying FFO	**442.3**	**501.9**	**260.6**
Trading profits (net of tax)	4.3	42.6	63.3
FFO[1]	**446.6**	**544.5**	**323.9**
Net gain/(loss) on change in fair value of investment properties	165.5	241.0	533.7
Net gain/(loss) on change in fair value of derivatives and interest bearing liabilities	(40.6)	(47.0)	(9.7)
Net loss on sale of investment properties	(8.3)	(3.1)	15.0
Inventive amortisation and rent straight-line	(58.4)	(79.9)	(46.2)
CPA transaction costs	(76.7)	-	-
Finance break costs attributable to sales transactions	(4.5)	-	-
Foreign currency translation reserve transfer on disposal of foreign operations	0.8	(2.1)	-
Reversal of impairment of management rights	7.3	-	-
Coupon income	(13.1)	(15.5)	(10.1)
Transaction costs	-	-	(1.2)
Deferred tax	(12.0)	(19.2)	(7.9)
Net profit attributable to DEXUS Securityholders	**406.6**	**618.7**	**797.5**
Statistics			
Like-for-like net property income growth - office property[2]	*3.6%*	*0.2%*	*(0.3%)*
Like-for-like net property income growth - industrial property[2]	*1.5%*	*0.7%*	*(6.8%)*
Like-for-like net property income growth (total portfolio)[2]	*3.1%*	*0.3%*	*(1.4%)*
Management expense ratio (%)[3]	*0.49%*	*0.41%*	*0.40%*
Look through interest cover ratio (times)[4]	*4.5x*	*4.8x*	*4.6x*

Source: DEXUS Annual Reports for FY14 and FY15 and Financial Statements for the Half Year Ended 31 December 2015; KPMG Corporate Finance analysis

Note 1: Property Council FFO consistent with funds from operations presented using principles of Property Council of Australia White Paper released in May 2013

Note 2: Includes properties owned for the full 12 month period and excludes the impact of changes in ownership and development activities.

Note 3: Calculated as costs arising from managing DEXUS assets and corporate activity divided closing balance sheet funds under management at the end of the period

Note 4: Calculated as EBITDA dividend by interest expense

DEXUS achieved strong growth in FFO of 21.9% in the 2015 financial year as a result of:

- strong net property income growth for office properties, partially offset by a reduction in net property income from industrial properties as a result of divestments and lower occupancy at Auburn, Gladesville and Rosebery. Overall, DEXUS achieved positive like-for-like net property income growth

- first full year of contribution from DEXUS Office Partnership (CPA properties acquired)
- growth in profits from third party management operations to $37.9 million as a result of a 10% increase in third party funds under management, including the DEXUS Office Partnership and other third party funds under management
- an increase in trading profits to $42.6 million (after tax) with more than 60% of trading profits realised from the active repositioning of office properties at 50 Carrington Street, Sydney, and 40 Market Street, Melbourne
- a reduction in the management expense ratio from 49 basis points to 41 basis points, as growth in corporate costs was contained, despite a growth in the business.

Overall, net profit increased by 52.2% in the 2015 financial year as a result of FFO growth, as well as:

- higher fair value gains on investment properties ($241.0 million) relative to the prior year ($165.5 million)
- non-recurring transaction costs associated with the CPA acquisition in the 2014 financial year.

In the six months to 31 December 2015:

- FFO increased by 25.3% relative to the corresponding prior period as a result of the realisation of $63.3 million trading profits (after tax) primarily from the sale of industrial properties in Rosebery and Mascot, NSW, and a further decline in the management expense ratio to 40 basis points, while net property income remained flat. It also reflects lower net interest expense due to a reduction in DEXUS' weighted average cost of debt from 5.2% to 4.9% throughout the period
- net profit increased by 209%, reflecting the increase in FFO and $533.7 million of higher net revaluation gains on investment properties (a 5.4% uplift), primarily as a result of positive revaluations of office properties.

Distributions

FFO and distributions paid by DEXUS during the years ended 30 June 2014 and 2015 and the six months ended 31 December 2015 are set out in the table on the next page.

Table 20: DEXUS distributions

Period $ million unless otherwise stated	12 months to 30-Jun-2014	12 months to 30-Jun-2015	6 months to 31-Dec-2015
Weighted average number of stapled securities (million)[1]	820.3	915.5	969.3
Underlying FFO	**442.3**	**501.9**	**260.6**
Trading profits (net of tax)	4.3	42.6	63.3
FFO	**446.6**	**544.5**	**323.9**
Less: Maintenance capital expenditure, lease incentives and leasing costs	(135.9)	(174.7)	(93.2)
AFFO	**310.7**	**369.8**	**230.7**
Distributions for the period	**315.4**	**385.6**	**223.1**
FFO per stapled security (cents)	54.4	59.5	33.4
Underlying FFO per stapled security (cents)	53.9	54.8	26.9
AFFO per stapled security (cents)	37.9	40.4	23.8
Distributions per stapled security (cents)	37.6	41.0	23.1
FFO payout ratio	*69.0%*	*68.9%*	*69.2%*
AFFO payout ratio [2]	*101.5%*	*100.5%*	*96.7%*

Source: DEXUS Annual Results for FY14 and FY15 and Financial Statements for the Half Year to 31 December 2015; KPMG Corporate Finance analysis.

Note 1: Adjusted to reflect 1 for 6 consolidation of DEXUS Securities in November 2014

Note 2: The AFFO payout ratio in FY15 has been adjusted to exclude the $13.9m of distributions paid on new securities issued through the institutional placement and Share Purchase Plan announced in April 2015 which were fully entitled to the distribution for the six months ending 30 June 2015

DEXUS' distribution policy in the 2014 financial year was to distribute 70-80% of FFO (as defined by DEXUS[29]), in line with free cash flow. From 1 July 2014, DEXUS adopted the Property Council of Australia's (PCA) recommended approach for calculating FFO and revised its distribution policy to target distributions in line with free cash flow. Distributions in the 2014 and 2015 fiscal years and in the six months ended 31 December 2015 were in line with this policy. In the periods presented above, distributions represented approximately 69% of FFO.

On a per DEXUS Security basis, underlying FFO increased by 1.7% in the 2015 financial year[30] and by 1.3% in the six months ended 31 December 2015 while growth in FFO and distributions over these periods was substantially higher, at 9.3% in FY15 and 17.1% in the six months ended 31 December 2015, respectively, reflecting the impact of higher trading profits.

Under current Australian tax legislation, DDF, DIT and DOT are not liable for income tax provided they satisfy certain legislative requirements, which were met in the current and previous financial years. DXO is liable for income tax and has formed a tax consolidated group with its wholly owned and controlled Australian entities. Distributions from DXO may be franked.

8.8 Financial position

The financial position of DEXUS as at 30 June 2014 and 2015 and 31 December 2015 is summarised on the next page.

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[29] Prior to 1 July 2014, DEXUS defined FFO as Property Council FFO, adjusted to exclude amortisation of rent free periods and leasing fees

[30] Adjusts for the impact of the scrip issued in April 2014 as part of the CPA transaction.

Table 21: DEXUS financial position

As at $ million unless otherwise stated	30-Jun-14	30-Jun-15	31-Dec-15
Cash and cash equivalents	14.1	13.0	25.5
Trade and other recievables	111.6	55.5	72.2
Inventories	80.3	110.3	37.5
Derivative financial instruments	8.7	15.2	23.0
Non-current assets classified as held for sale	139.6	5.5	-
Other current assets	8.1	27.3	27.3
Current assets	362.4	226.8	185.5
Investment properties	5,926.5	6,207.3	6,775.5
Plant and equipment	10.8	11.3	14.3
Inventories	235.9	164.5	225.7
Equity accounted investments	2,813.9	2,795.9	3,197.9
Intangibles	292.6	301.4	303.3
Derivative financial instruments	71.5	316.1	412.0
Deferred tax assets	35.9	10.8	6.2
Other non-current assets	1.4	2.3	3.6
Non-current assets	9,388.5	9,809.6	10,938.5
Total assets	9,750.9	10,036.4	11,124.0
Trade and other payables	111.1	110.7	117.3
Provisions	197.2	231.1	256.4
Derivative financial instruments	2.4	8.3	7.5
Borrowings	149.5	150.0	76.1
Others	1.3	4.2	27.4
Current liabilities	461.5	504.3	484.7
Derivative financial instruments	85.7	108.1	92.2
Borrowings	2,782.1	2,624.0	3,196.7
Loans with related parties	338.4	-	-
Deferred tax liabilities	21.1	17.2	20.2
Other	8.8	5.5	5.6
Total non-current liabilities	3,236.1	2,754.8	3,314.7
Total liabilities	3,697.6	3,259.1	3,799.4
Net assets	6,053.3	6,777.3	7,324.6
Total equity	6,053.3	6,777.3	7,324.6
Statistics			
Number of DEXUS Securities on issue (million) [1]	*905.5*	*970.8*	967.9
NTA per DEXUS Security ($) [2]	*6.36*	*6.68*	7.25
Gearing (look-through) [3]	*33.7%*	*28.5%*	*29.5%*

Source: DEXUS Annual Results and Financial Statements for FY14 and FY15; KPMG Corporate Finance analysis
Note 1: Adjusted to reflect 1 for 6 consolidation of DEXUS Securities in November 2014
Note 2: NTA per DEXUS Security calculated as net tangible assets divided by the number of securities at period end. NTA at 30 June 2014 is adjusted to reflect 1 for 6 consolidation of DEXUS Securities in November 2014
Note 3: Look-through gearing is determined as total debt (excluding deferred borrowing costs and including currency gains and losses on cross currency swaps) less cash divided by total tangible assets (excluding derivatives and deferred tax assets) less cash and includes cash and debt of equity accounted investments

In relation to the financial position of DEXUS as at 31 December 2015, we note:

- DEXUS' property portfolio of $10,467 million comprises $6,776 million of properties that are consolidated (including $5,415 million of office properties and $1,360 million of industrial properties), $3,428 million properties that are equity accounted (including $3,354 million of office properties and $73.6 million of industrial properties) and inventories of $263 million (including $219 million of industrial properties and $45 million of office properties). Investment properties are initially recognised at cost (including transaction costs) and are subsequently recognised at fair value based on independent property valuations. Independent valuations are carried out at least once every three years, or earlier where DEXUS RE believes there is potential for a material change in value. In addition, properties are internally valued at least every six months (unless they have been independently valued during the current reporting period). Development properties under construction are valued based on the market value of the property on the assumption that it had already been completed at the valuation date, less costs to complete and includes an adjustment for industry benchmarked profit and development risk. Inventories relates to land and properties that are held in the trading portfolio for repositioning, development and sale and are recorded at the lower of cost and net realisable value.
- equity accounted investments includes:

Table 22: DEXUS equity accounted investments

Equity accounted investment (ownership interest %)	Underlying property (ownership interest %)	Book value at 31 December 2015 ($ million)
Bent Street Trust (33.3%)	1 Bligh Street, Sydney (100%)	290.7
DEXUS Creek Street Trust (50%)	12 Creek Street, Brisbane (100%)	136.8
DEXUS Martin Place Trust (50%)	39 Martin Place, Sydney (100%)	110.7
Grosvenor Place Holding Trust (50%)[1,2]	225 George Street, Sydney (50%)	338.2
Site 6 Homebush Bay Trust (50%)[1]	4 Dawn Fraser Ave, Sydney Olympic Park (100%)	32.7
Site 7 Homebush Bay Trust (50%)[1]	2 Dawn Fraser Ave, Sydney Olympic Park (100%)	45.1
DEXUS 480 Q Holding Trust (50%)	480 Queen Street, Brisbane (100%)	225.3
DEXUS Kings Square Trust (50%)	Kings Square, 376 Wellington Street, Perth (100%)	223.9
DEXUS Office Trust Australia (50%)	Office properties and investments acquired from CPA (various)	1,687.5
DEXUS Industrial Trust Australia (50%)	2 industrial development properties and Eagle Farm (100%)	77.9
DEXUS Eagle Street Pier Trust (50%)	1 and 45 Eagle Street, Brisbane (100%)	29.1
Total		**3,197.9**

Source: *DEXUS Financial Statements for the half year ended 31 December 2015*
Note 1: *These entities are 50% owned by DEXUS Office Trust Australia. The Group's economic interest is therefore 75% when combined with the interest held by DEXUS Office Trust Australia.*
Note 2: *Grosvenor Place Holding Trust owns 50% of Grosvenor Place, 225 George Street, Sydney, NSW. The Group's economic interest in this property is therefore 37.5%.*

DEXUS holds a 50% interest in DEXUS Office Trust Australia, which owns properties formerly held by CPA (acquired in 2014) including CPA's 50% interests in Grosvenor Place Holding Trust and Sites 6 and 7 Homebush Bay Trust. Therefore, DEXUS owns a 75% economic interest in 4 and 2 Dawn Fraser Avenue, Sydney Olympic Park and a 37.5% economic interest in 22 George Street, Sydney.

- intangible assets predominantly represents management rights, most of which are deemed to have an indefinite life. These rights were primarily recognised on the acquisition of the remaining 50% of management rights from Deutsche Bank in 2008 (previously equity accounted) as well as $42 million related to the acquisition of the management rights of CPA
- the distribution for the six months ended 31 December 2015 was paid to DEXUS Securityholders on 29 February 2016
- NTA per DEXUS Security increased to $7.25, representing an 8.5% increase from 30 June 2015 as a result of a net increase in property valuations.

Interest bearing liabilities

As at 31 December 2015, DEXUS had undrawn debt facilities of $434.0 million and cash of $25.5 million. Details of the committed financing facilities available and debt maturity profile of DEXUS as at 31 December 2015 are set out below.

Table 23: DEXUS financing facilities

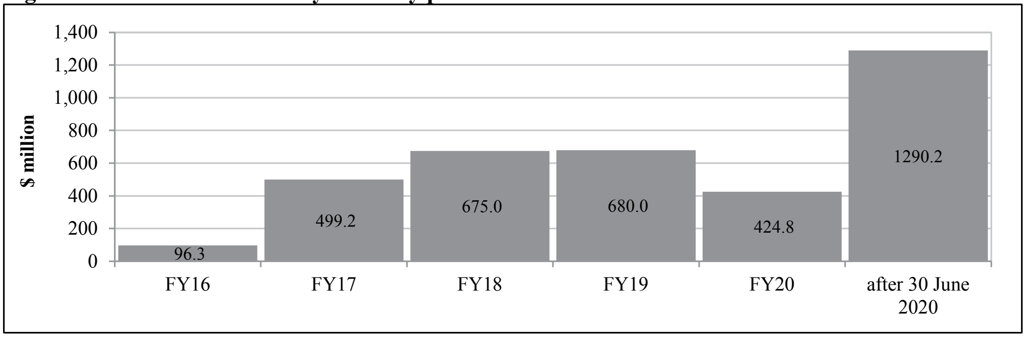
$m unless otherwise stated	Total facility	Amount drawn	Available facility	Maturity	Security
US senior notes (144A)	342.4	342.4	-	Mar-21	Unsecured
US senior notes (USPP)	1,085.6	1,085.6	-	Dec-16 to Jul-28	Unsecured
Medium term notes	506.4	506.4	-	Apr-17 to Nov-25	Unsecured
Commercial Paper	100.0	100.0	-	Sep-18	Unsecured
Multi-option revolving credit facilities	1,650.0	1,216.0	434.0	Jul-16 to Aug-22	Unsecured
Total	**3,684.4**	**3,250.4**	**434.0**		
Deferred borrowing costs		(13.3)			
Fair value adjustments on effective hedges		35.7			
Balance sheet debt		**3,272.8**			

Source: DEXUS Financial Statements for the half year ended 31 December 2015
Note 1: USPP debt is denominated in USD, and converted to AUD at the prevailing exchange rate at period end

DEXUS has an A- Standard & Poor's credit rating and an A3 investment grade rating from Moody's. Following the announcement of the Proposal, Standard & Poor's announced that it considers the additional debt that DEXUS will incur to fund the cash component of the Proposal and IOF's existing debt can be accommodated within DEXUS' current credit rating. Gearing on a look-through basis decreased to 29.5% at 31 December 2015, which is below DEXUS' target range of 30% to 40%.

At 31 December 2015, the weighted average maturity on DEXUS' borrowings was 5.2 years.

Figure 19: DEXUS debt facility maturity profile as at 31 December 2015



Source: DEXUS

The financial covenants relating to DEXUS' debt facilities, together with its actual performance with respect to each of these covenants, are set out below.

Table 24: DEXUS financial covenants

Financial covenant	Covenant	30-Jun-14	30-Jun-15	31-Dec-15
Look through gearing[1]	Less than 55%	27.2%	31.2%	28.4%
Look through interest cover	Greater than 2.0x	4.3x	4.8x	4.9x
Priority debt	Less than 30%	0%	0%	0%

Source: DEXUS FY14, FY15 and 1H16 results presentations
Note 1: Look through gearing for covenant purposes does not adjust for cash

DEXUS' actual look through gearing remains well below covenant levels and interest cover substantially exceeds covenants.

Derivative financial instruments

DEXUS uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risk on borrowings (some of which is denominated in US dollars). As at 31 December 2015, interest rate exposures were 64% hedged excluding caps (73% including caps). The net balance of derivatives as at 31 December 2015 was an asset of $335.3 million.

8.9 Capital structure

As at 3 March 2016, DEXUS had 967,947,692 stapled securities on issue. On 1 July 2015 (the last reported date), DEXUS had 32,333 registered securityholders. As at 31 July 2015, the DEXUS investor base was comprised of domestic institutions (34%), domestic retail (10%) and offshore institutional (56%).

The following table sets out the DEXUS substantial securityholders as at 3 March 2016.

Table 25: DEXUS substantial existing Securityholders as at 3 March 2016

Name of substantial unitholder	Date of notice	Number of stapled securities held	Percentage of issued capital
The Vanguard Group, Inc.	16-Nov-15	77,881,040	8.05%
State Street Corporation	25-Feb-16	71,465,941	7.38%
The Bank of New York Mellon Corporation	14-Sep-15	70,890,588	7.30%
Blackrock Group[1]	24-Mar-14	366,488,530	6.81%

Source: Substantial shareholder notices, ASX Limited
Note 1: Notice was lodged prior to one-for-six security consolidation in October 2014. The number of securities and voting interest for these shareholders are as stated on the original notice

DEXUS announced an on-market buyback program on 14 October 2014 for up to 5% of its securities. The program was closed on 21 April 2015 and no DEXUS Securities were acquired. On 1 September 2015 DEXUS announced that as a result of recent market volatility, it would activate the on-market buyback for up to 5% of DEXUS Securities over a 12 month period. On the announcement of the Proposal on 7 December 2015, DEXUS announced that it would suspend the buyback. As at the date of the announcement of the Proposal, 2,858,657 securities (approximately 0.3% of DEXUS Securities) had been cancelled.

Directors' interests

As at 3 March 2016, the Directors of DEXUS held the following DEXUS Securities (directly or indirectly).

Table 26: DEXUS Director's relevant interests at 3 March 2016

Name	No. of securities held at 3 March 2016
Elizabeth Alexander AM	16,667
Penny Bingham-Hall	16,534
John Conde AO	16,667
Tonianne Dwyer	16,667
Richard Sheppard	70,090
Craig D Mitchell[1]	435,563
Darren J Steinberg[1]	872,996
Peter St George	17,333

Source: S&P Capital IQ and KPMG analysis, data as at 3 March 2016
Note 1: Includes interests held directly and through performance rights

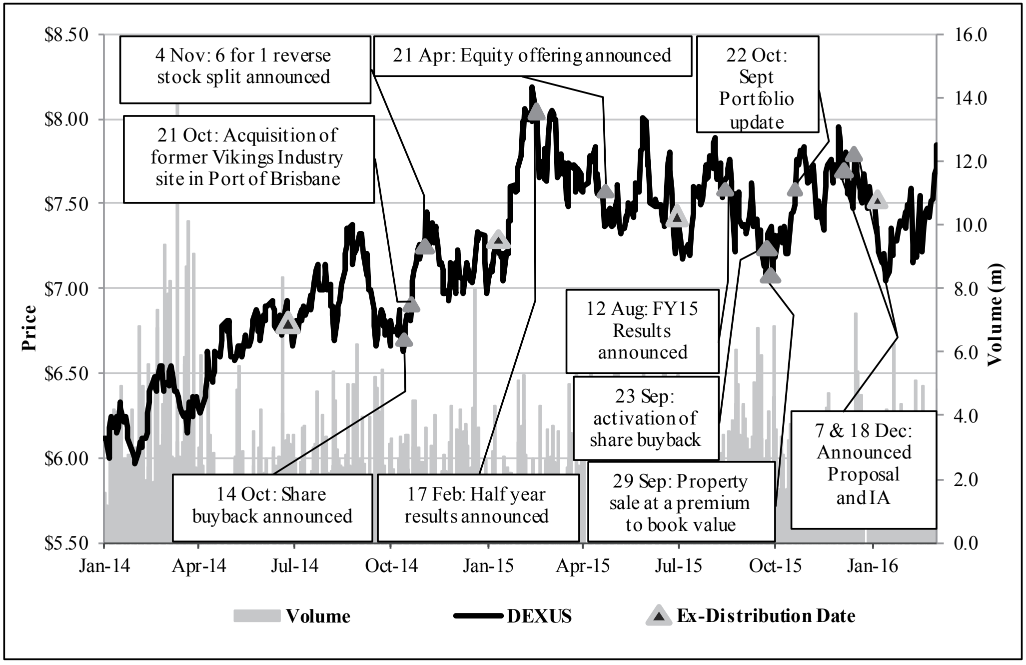
As part of DEXUS' executive remuneration, performance rights are granted to key management personnel. Performance rights convert into existing stapled securities, subject to the achievement of certain performance criteria and vesting conditions. As at 1 July 2015, there were 1,090,902 unvested performance rights on issue (not including the legacy plans performance rights issued under that plan vested on 1 July 2015).

8.10 Security price performance

8.10.1 Recent security market trading

The trading price and volume of DEXUS Securities from 1 January 2014 to 3 March 2016 is set out below.

Figure 20: Trading price and volume of DEXUS



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

The DEXUS Security price increased strongly from 1 January 2014 in line with the positive re-rating of the A-REIT sector to reach a high of $8.24 on 13 February 2015. It then declined until early May 2015 following the announcement on 17 February 2015 of half year results to 31 December 2014, negative market sentiment regarding the Sydney and Melbourne office markets and the announcement on 21 April 2015 of a $450 million equity offering that was priced at $7.32, a discount of 3.0% to the closing price of $7.55 on 21 April 2015.

The DEXUS Security price increased strongly in mid to late May 2015 as vacancy rates in the Sydney and Melbourne office markets improved. It also increased in late June 2015 as it traded cum distribution before declining on the ex-distribution date (26 June 2015).

It then tracked the broader S&P/ASX 200 Index in decline in early September 2015 to reach a low of $7.05 on 29 September 2015 before increasing in October 2015 following the activation of the DEXUS Security buyback program (whereby 2.9 million DEXUS Securities were bought back at prices ranging from $7.055 to $7.200) and announcement on 29 September 2015 that it had sold its interest in 36 George

Street, Burwood at a 44% premium to book value, highlighting the potential for future increases in property valuations.

The DEXUS Security price increased following the announcement on 22 October 2015 of the September quarter property portfolio update, which indicated higher property valuations and a strong leasing market, despite negative economic sentiment.

From mid-November 2015, the DEXUS Security price increased strongly to reach a high of $7.96 on 2 December 2016, shortly before the announcement of the Proposal on 7 December 2015. During this time, Vanguard Group, Inc. increased its substantial DEXUS Securityholding (16 November 2015).

In the six months to 4 December 2015 (the last trading day prior to the announcement of the Proposal), DEXUS Securities traded in the range of $7.05 to $7.96, at a VWAP of $7.48 and closed at $7.65. Since the announcement of the Proposal, DEXUS Securities have traded in the range $6.92 to $7.86 and a VWAP of $7.43, and closed at $7.85 on 3 March 2016.

8.10.2 Liquidity

An analysis of the volume of trading in the DEXUS Securities, including the VWAP for the period up to 4 December 2015 (the last trading day before the announcement of the Proposal) and the period after this date until 3 March 2016, is set out below.

Table 27: Volume of trading in DEXUS Securities

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
Period ended 3 March 2016						
1 day	7.66	7.85	7.79	37.7	4.8	0.5
1 week	7.39	7.85	7.64	142.7	18.7	1.9
1 month	7.10	7.85	7.43	498.2	67.0	6.9
7 December 2015	6.92	7.86	7.43	1,380.6	185.8	19.2
Period ended 4 December 2015						
1 day	7.61	7.76	7.65	20.6	2.7	0.3
1 week	7.61	7.96	7.79	107.3	13.8	1.4
1 month	7.27	7.96	7.62	460.5	60.4	6.2
3 months	7.05	7.96	7.46	1422.5	190.6	19.7
6 months	7.05	7.96	7.48	2983.6	399.0	41.2
12 months	6.90	8.25	7.51	5613.1	747.4	79.2

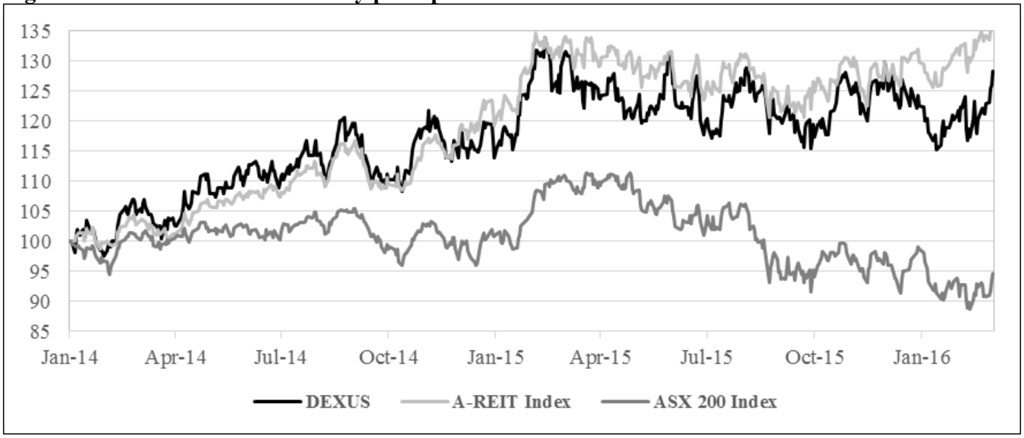
Source: S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: Last trading day prior to the announcement of the Proposal

In relation to the table above, we note that during the six month period prior to 7 December 2015, 41.2% of issued DEXUS Securities were traded. This level of liquidity indicates that there is an active market for DEXUS Securities. DEXUS Security price and liquidity are likely to have been influenced by the on market buyback program (approximately 0.3% of DEXUS Securities were cancelled under the program).

8.10.3 Relative security price performance

DEXUS is a member of a number of various indices, including the S&P/ASX 50 Index (0.7%), ASX 200 Index (0.6%), A-REIT Index (7.0%) and Office A-REIT Index (64.0%). The performance of the DEXUS Securities from 1 January 2014 to 3 March 2016, relative to the ASX 200 Index and A-REIT Index (rebased to 100) is illustrated below.

Figure 21: DEXUS relative security price performance



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

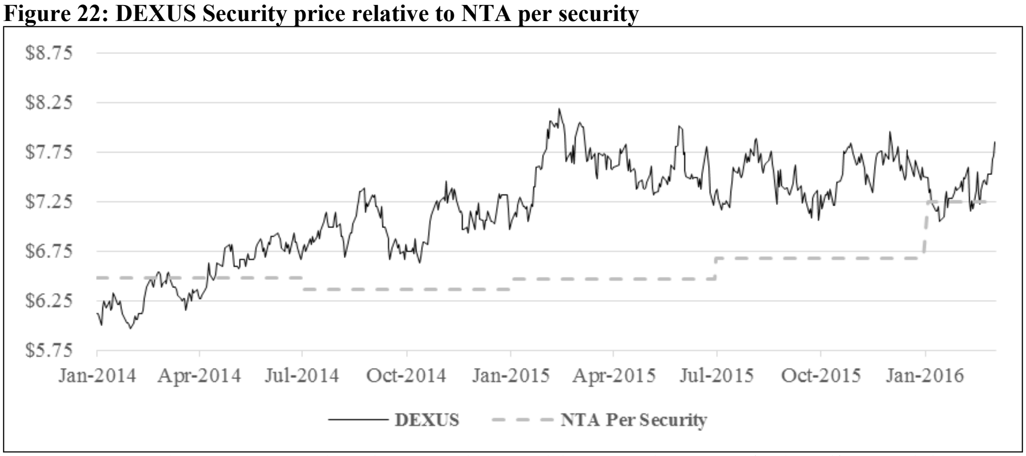
Since 1 January 2014, the DEXUS Security price has broadly tracked the A-REIT Index until mid-February 2015, when it underperformed as a result of negative market sentiment regarding the Sydney and Melbourne office markets, then outperformed in May 2015 as vacancy rates in the Sydney and Melbourne office markets improved.

The DEXUS Security price tracked the ASX 200 Index in decline in September 2015, then outperformed following the activation of the buyback program and announcement on 29 September that it had sold its interest in 36 George Street, Burwood at a 44% premium to book value.

8.10.4 Security price relative to NTA

The price of the DEXUS Securities relative to the reported NTA per DEXUS Security from 1 January 2014 to 3 March 2016 is illustrated on the next page.

Figure 22: DEXUS Security price relative to NTA per security



Source: S&P Capital IQ; DEXUS Annual Results FY14 and FY15 and the Financial Statements for the Half Year Ended 31 December 2015; KPMG Corporate Finance analysis

Consistent with most listed A-REITs, DEXUS Securities have generally traded at a premium to NTA since early to mid 2014, reflecting an expectation of increases in property values. The premium peaked in mid-February 2015 as a result of expectations of higher 31 December 2014 property values, positive economic sentiment and a delay in revaluations. Since then, the premium has declined as property valuations have been revised upwards.

On 4 December 2015 (the last trading day prior to the announcement of the Proposal), DEXUS Securities closed at $7.65, a 14.5% premium to the 30 June 2015 NTA of $6.68. This premium is higher than for IOF and probably reflects the intangible value associated with DEXUS' large third party funds management platform, growth opportunities from the development pipeline and security buyback program during that period, as well as an expectation of further increases in property valuations as a result of compression of capitalisation rates.

The DEXUS Security price did not increase substantially following the announcement on 11 December 2015 of a $450 million (4.8%) increase in property valuations, probably because investors had already factored expectations of higher property valuations into their assessment of the DEXUS Security price.

8.11 Outlook

On release of the full year 2015 financial results on 12 August 2015, DEXUS announced guidance for the 2016 financial year. This guidance was reaffirmed at the Annual General Meeting in October 2015 and on release of the half year results to 31 December 2016 in February 2016. The guidance includes:

- FFO per DEXUS Security growth of 5.5% to 6.0% (a mid-point of 62.9 cents per DEXUS Security for FY16) and FFO from the underlying business (excluding trading profits net of tax) growth of 3.0% to 3.5% (a mid-point of 56.5 cents per DEXUS Security for FY16)
- payout ratio in line with free cash flow, resulting in growth in distribution per DEXUS Security of 5.5% to 6.0%.

The guidance assumes:

- circa 1% like-for-like income growth across DEXUS' office portfolio and circa 7% decline in like-for-like income across the DEXUS industrial portfolio
- weighted average cost of debt of around 4.9%
- trading profits of $63 million net of tax
- management operations FFO of circa $45 million (including third party development management fees).

The guidance excludes any buy-back of DEXUS Securities, any further transactions and the impact of the Proposal.

DEXUS' target for the 2016 financial year is that 80% to 90% of FFO (before finance costs and group corporate costs) will be generated from asset ownership and 10% to 20% will be generated from its third party mandates and trading activities.

9 Profile of the Merged Group

9.1 Overview

The Merged Group will be an internally managed A-REIT with $24.6 billion AUM, including a $14.0 billion investment portfolio and $10.6 billion of third party mandates. It will be one of the leading office managers in Australia, with $17.6 billion in office properties under management.

If the Proposal is implemented, IOF Unitholders will initially own 21.2% of the Merged Group[31]. IOF Unitholders who receive new DEXUS Securities will gain exposure to the investment characteristics of the Merged Group, including:

- greater scale and diversification of the investment portfolio
- diversification of revenue streams through third party mandates and an extensive development pipeline
- potential to realise benefits from cost synergies, portfolio leasing strategies for customers and improved margins
- FFO and distribution accretion, offset by lower NTA per IOF Unit
- stronger balance sheet and greater financial flexibility
- improved corporate governance through a proposed internal management structure
- increased liquidity.

Summarised below are key investment characteristics of the Merged Group and the associated change in the investment characteristics from the perspective of IOF Unitholders. Sections 9 to 11 of the Explanatory Memorandum contain further information regarding the profile, financial information and risks of the Merged Group.

9.2 Scale and diversification of investment portfolio

Relative to IOF, the investment portfolio of the Merged Group will be larger (a combined book value of $14.0 billion) and will have greater diversification by sector, assets and tenants. The portfolio will include industrial properties (12% of book value), however, will remain focused on the office sector (88% of book value).

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[31] As a result of the scale-backs, IOF Unitholders will collectively own 21.2% of DEXUS Securities, regardless of which form of consideration Unitholders elect.

Figure 23: IOF investment portfolio by sector

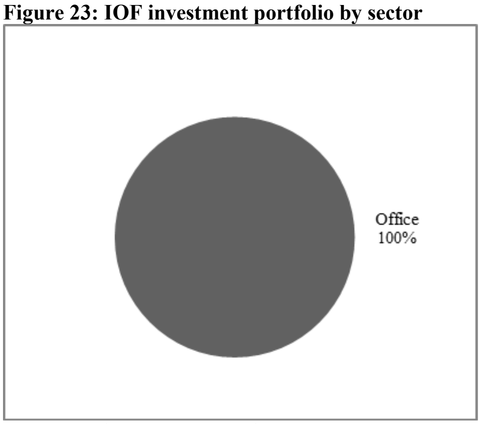
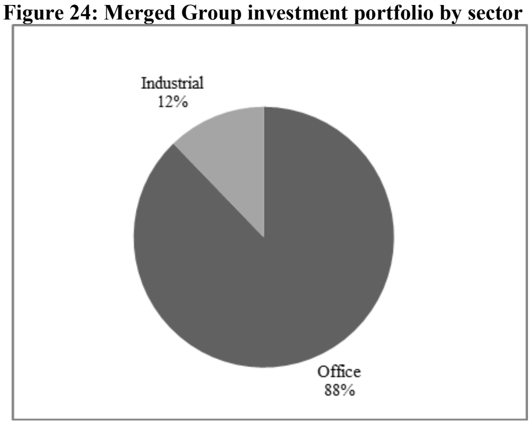


Figure 24: Merged Group investment portfolio by sector



Source: Explanatory Memorandum

The Merged Group's $12.3 billion directly owned office property portfolio representing 1.3 million square metres will be one of the largest office portfolios in Australia. The characteristics of the office portfolio are summarised as follows:

Table 28: Merged Group office portfolio summary

Characteristic	IOF	Merged Group
Number of properties	22	71
Number of wholly owned properties	15	34
Book value	$3.5 billion	$12.3 billion
Capitalisation rate	6.33%	6.31%
Occupancy	94.3%	94.0%
Weighted average lease expiry	5.0 years	4.5 years

Source: Explanatory Memorandum

Relative to IOF, the Merged Group's office portfolio will have a similar weighted average capitalisation rate and occupancy rate. Although the WALE will be slightly lower, the Merged Group's exposure to leases expiring in the 2019 financial year will be lower than IOF on a standalone basis (19% of lease income, compared to 28% for IOF).

The Merged Group will have a greater share of prime office properties (88%, relative to IOF's 79%) and premium grade properties will represent 31% of the portfolio (compared with 15% for IOF).

Figure 25: IOF office portfolio by sector

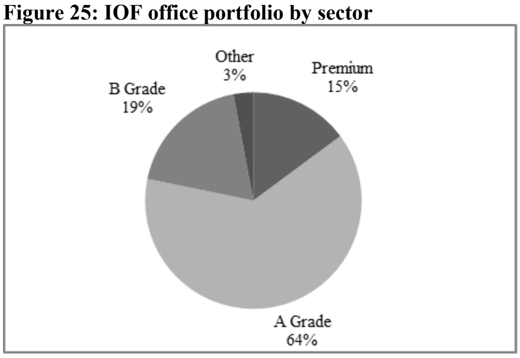
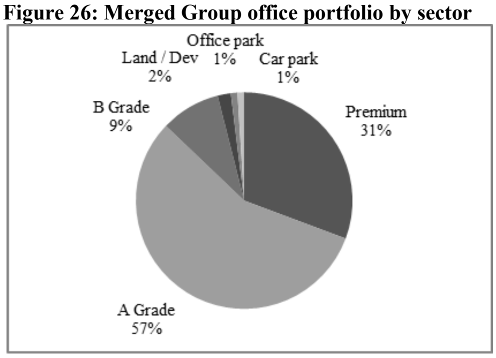


Figure 26: Merged Group office portfolio by sector



Source: Explanatory Memorandum (by book value)

The Merged Group will also have a substantial weighting to the strongly performing Sydney and Melbourne markets (75%, compared with 79% for IOF) although it will have a greater exposure to the weaker Perth market (7%, compared with IOF's 4%).

Figure 27: IOF office portfolio by geography

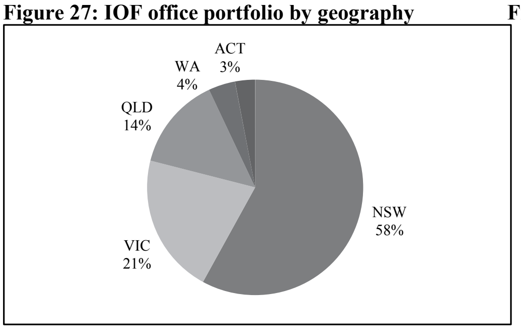
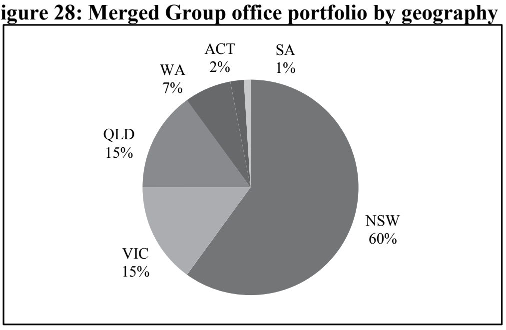


Figure 28: Merged Group office portfolio by geography



Source: Explanatory Memorandum (by book value)

The Merged Group's exposure to any particular asset or tenant within the portfolio will be reduced, reducing the risk to earnings of any single tenancy. The top 10 office properties will represent 34.9% of the Merged Group portfolio by book value (compared with 67.0% for IOF) and the top 10 office tenants will represent 28.4% of the net lettable area for the Merged Group (compared with 53.4% for IOF). The increased size of the portfolio and tenant diversification is also expected to provide the Merged Group with an increased ability to manage tenant demands, vacancy and leasing.

9.3 Diversification of revenue streams

The Merged Group will have more diverse revenue streams as a result of DEXUS' extensive development pipeline and third party management activities. DEXUS' target is that 80% to 90% of FFO will be generated from asset ownership and 10% to 20% from its third party mandates and trading activities. This FFO split is expected to remain the target for the Merged Group if the Proposal becomes effective and is implemented.

The Merged Group would have a development pipeline of $3.3 billion, including DEXUS' $3.2 billion development pipeline (DEXUS portfolio of $1.1 billion and Third Party Funds portfolio of $2.1 billion) and IOF's $120 million development of 151 Clarence Street, Sydney (excluding incentives). In addition, DEXUS has identified a number of other potential development and repositioning opportunities within the IOF portfolio.

9.4 Synergies and integration costs

A key benefit of the Proposal is the potential to realise cost synergies. It is estimated that the Merged Group could achieve cost savings of $11 million per annum (9.0 cents per DEXUS Security), including the elimination of existing operating expenses (including responsible entity fees paid to ILFML, listing costs and other operating expenses) of $15 million, offset by incremental corporate overheads of $4 million per annum. DEXUS has not provided an estimate of the period over which these cost savings are expected to be realised nor of the quantum of integration costs required to achieve them.

9.5 Transaction costs

The pro forma financial statements for the Merged Group include an assumed $94 million in transaction costs, including stamp duty, advisory fees, debt restructuring and other implementation costs.

9.6 Accretion analysis

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

Based on KPMG Corporate Finance's assessed value of DEXUS Securities in the range of $7.25 to $7.70 (Section 10 of this report) and the pro forma financial analysis for the Merged Group (Section 10 of the Explanatory Memorandum), IOF Unitholders would experience an increase in FFO and distribution per Unit and a decrease in NTA per IOF Unit as follows:

Table 29: Merged Group accretion analysis[1]

				Value of DEXUS consideration per IOF Unit					
				$7.25			$7.70		
	IOF	DEXUS	Merged Group (cents)	IOF equivalent[2]	Absolute change	Change %	IOF equivalent[2]	Absolute change	Change %
Standard Consideration (without asset sales)									
FY16 FFO[5] per security (including trading profits)	28.4¢	63.1¢	62.9¢	33.8¢	5.4¢	*19.2%*	33.4¢	5.0¢	*17.7%*
FY16 underlying FFO per security (excluding trading profits)	28.4¢	56.5¢	57.8¢	31.0¢	2.7¢	*9.4%*	30.7¢	2.3¢	*8.0%*
FY16 distribution per security[3]	19.6¢	43.5¢	43.4¢	23.3¢	3.7¢	*19.0%*	23.0¢	3.4¢	*17.6%*
NTA per security at 31 December 2015	$3.98	7.25¢	7.22¢	3.88¢	$(0.10)	*(2.5%)*	$3.83	$(0.15)	*(3.7%)*
Maximum Scrip Consideration (without asset sales)									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	62.9¢	33.3¢	5.0¢	*17.5%*	33.3¢	5.0¢	*17.5%*
FY16 underlying FFO per security (excluding trading profits)	28.4¢	56.5¢	57.8¢	30.6¢	2.2¢	*7.9%*	30.6¢	2.2¢	*7.9%*
FY16 distribution per security[3]	19.6¢	43.5¢	43.4¢	23.0¢	3.4¢	*17.4%*	23.0¢	3.4¢	*17.4%*
NTA per security at 31 December 2015	$3.98	7.25¢	7.22¢	3.83¢	$(0.15)	*(3.9%)*	$3.83	$(0.15)	*(3.9%)*
Standard Consideration (with asset sales[4])									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	61.9¢	33.3¢	4.9¢	*17.3%*	32.9¢	4.5¢	*15.8%*
FY16 underlying FFO per security (excluding trading profits)	28.4¢	56.5¢	56.8¢	30.5¢	2.1¢	*7.5%*	30.1¢	1.8¢	*6.2%*
FY16 distribution per security[3]	19.6¢	43.5¢	42.7¢	23.0¢	3.4¢	*17.2%*	22.7¢	3.1¢	*15.7%*
NTA per security at 31 December 2015	$3.98	7.25¢	7.22¢	3.88¢	$(0.10)	*(2.5%)*	$3.83	$(0.15)	*(3.7%)*
Maximum Scrip Consideration (with asset sales[4])									
FY16 FFO per security (including trading profits)	28.4¢	63.1¢	61.9¢	32.8¢	4.4¢	*15.6%*	32.8¢	4.4¢	*15.6%*
FY16 underlying FFO per security (excluding trading profits)	28.4¢	56.5¢	56.8¢	30.1¢	1.7¢	*6.0%*	30.1¢	1.7¢	*6.0%*
FY16 distribution per security[3]	19.6¢	43.5¢	42.7¢	22.6¢	3.0¢	*15.5%*	22.6¢	3.0¢	*15.5%*
NTA per security at 31 December 2015	$3.98	7.25¢	7.22¢	3.83¢	$(0.15)	*(3.9%)*	$3.83	$(0.15)	*(3.9%)*

Source: Explanatory Memorandum and KPMG Corporate Finance analysis

Note 1: Assumes Proposal is implemented on 1 July 2015

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

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

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

Note 5: Property Council FFO consistent with funds from operations presented using principles of Property Council of Australia White Paper released in May 2013

Implementation of the Proposal and realisation of synergies is expected to generate substantial accretion in pro forma FFO and distribution for IOF Unitholders who receive new DEXUS Securities, and moderate dilution of NTA per IOF Unit. On a per unit basis:

- FFO increases to a greater extent than underlying FFO as IOF Unitholders will share in DEXUS' trading profits
- distribution is expected to increase in proportion to FFO. DEXUS has stated that if the Proposal is implemented, it intends to maintain the same distribution policy as it does currently (that is, to pay distributions in line with free cash flow). It is assumed that the Merged Group pays distributions in the amount of 69% of FFO, which is consistent with DEXUS' distribution payout ratio in the 2014 and 2015 financial years and in the six months ended 31 December 2015
- NTA decreases moderately under both consideration options. This reflects the intangible value reflected in DEXUS' Security price that is associated with third party funds management activities

and growth opportunities from its development pipeline that are not reflected in NTA, as well as transaction costs to implement the Proposal.

The extent of the accretion/dilution will depend on a number of factors, including:

- ***the form of consideration elected by an individual IOF Unitholder:*** the terms of the transaction are based on the DEXUS 10 day VWAP prior to the announcement of the Proposal of $7.76. The DEXUS Security price reached a peak shortly before the announcement of the Proposal and was influenced by the DEXUS Security buyback program (which was suspended on 7 December 2015). Consequently, we do not consider DEXUS Security prices during this 10 day period to be representative of trading over a longer period before or after the announcement of the Proposal. KPMG Corporate Finance has assessed a value for the DEXUS Securities in the range of $7.25 to $7.70 (refer to Section 10 of this report). Based on this range, the Standard Consideration (which has a greater share of cash) will be more accretive to FFO (and less dilutive to NTA) than the Maximum Scrip Consideration
- ***extent of the scale-back:*** IOF Unitholders who elect the Maximum Scrip Consideration are subject to the scale-back such that they may receive a portion of their consideration in cash. Based on KPMG Corporate Finance's assessed value range for DEXUS Securities, the impact of any scale-back on FFO, distribution and NTA per IOF Unit would be favourable (relative to the Maximum Scrip consideration)
- ***movements in the DEXUS Security price:*** the accretion analysis is based on KPMG Corporate Finance's assessed value range for DEXUS Securities of $7.25 to $7.70. The actual impact on FFO, distribution and NTA per Unit under the Standard Consideration will vary with movements in the DEXUS Security price, which may be higher or lower than this range
- ***whether asset sales occur:*** co-investors may have certain rights to acquire IOF's interests in 10-20 Bond Street, Sydney and 388 George Street, Sydney at a value as determined by an independent valuer. Accretion of underlying FFO per IOF Unit as a result of the Proposal will be lower if the asset sales occur as the Merged Group will not receive income on those properties (partially offset by lower interest costs as it is assumed proceeds are used to repay borrowings). The properties were valued at 30 November 2015 and, therefore, their book value should reflect the market value, in which case trading profits would be nil, FFO (and distributions) per equivalent IOF Unit would increase proportionately to underlying FFO per equivalent Unit and NTA per equivalent IOF Unit would remain unchanged. Nevertheless, the actual sale price for the properties may be higher or lower than book value and as a result, FFO, distribution and NTA per equivalent IOF Unit may be higher or lower than indicated above.

It should be noted that the pro forma financial information assumes that the Proposal is implemented on 1 July 2015 and, therefore, actual FFO and distribution per security in the 2016 financial year will be less than presented.

9.7 Stronger balance sheet and greater financial flexibility

As a result of its higher credit rating (A-), the Merged Group will have greater financial flexibility and access to a broader range of debt financing sources and tenor than is available to IOF on a stand-alone basis and is likely to have a lower weighted average cost of debt.

Table 30: Merged Group balance sheet metrics

	IOF	Merged Group
Look through gearing	28.5%	33.5%
Gearing target	25%-35%	30%-40%
Credit rating	BBB+	A-

Source: Explanatory Memorandum

The gearing target for the Merged Group will be 30% to 40% (DEXUS' current gearing target), which is higher than IOF's gearing target of 25% to 35%. The Merged Group will have higher gearing (33.5%) relative to IOF (28.5%), however, its gearing will be below the mid-point of its target range for the Merged Group.

9.8 Corporate governance

DEXUS' intention is that the Merged Group will operate with an internally managed structure. This has the potential to ensure a clear alignment of interests between the ownership and management of the assets. The Board structure of the Merged Group will remain the same as DEXUS' current Board structure (refer to Section 8.6 of the report).

Although the Proposal does not involve the removal of the responsible entity of IOF or any change in the management arrangements of IOF, it is DEXUS' intention to exercise its legal and equitable rights, as the ultimate owner of IOF on implementation of the Proposal to ensure an orderly integration of IOF into the Merged Group and the transition of management of IOF to DEXUS without the disruption of a hostile situation. In summary, DEXUS will:

- exercise its rights to replace ILFML with DEXUS RE as the responsible entity of AJO Fund and PCP Trust. As a result of the change of responsible entity, the Management Deed (under which funds management services are provided) will terminate
- remove the current trustee and appoint its own trustee to the sub trusts. To the extent that other IOF Group trusts and sub-trusts are co-owned, DEXUS RE will discuss the change of trustee with the relevant co-owners
- hold discussions with property managers (and co-owners) regarding transitioning the property management and project management agreements to DEXUS. If an agreement cannot be reached, DEXUS will take over management responsibilities on expiration of the contracts (or discuss the preferred approach with co-owners of jointly owned properties). The agreements will generally be in place for approximately three years (ending no later than 31 December 2019) and will not terminate or provide a right of termination as a result of a change of the responsible entity.

Section 9.2 of the Explanatory Memorandum sets out DEXUS' intentions regarding the Merged Group.

9.9 Liquidity and share market rating

The Merged Group will have greater relevance to equity investors through increased scale relative to IOF. Based on a market capitalisation of $9.6 billion[32], the Merged Group will be the sixth largest A-REIT and a top-35 entity on the ASX.

The larger market capitalisation of the Merged Group will result in increased market weighting within market indices and is expected to result in an increased daily trading volume for the Merged Group in comparison to IOF on a standalone basis. IOF's Unitholders will initially hold 21.2% of the Merged Group increasing the free float of the Merged Group and potentially allowing IOF substantial unitholders to exit with a reduced impact on DEXUS Security price.

9.10 Changes in risk profile for IOF Unitholders

The risk profile for IOF Unitholders will change considerably, should they become DEXUS Securityholders in the Merged Group. The key changes in the risk profile for IOF Unitholders who elect (or are deemed to elect) to receive for consideration of DEXUS Securities as part of their proposal consideration include:

- *default and/or pre-emptive rights on jointly owned properties*: these may be triggered if the Proposal becomes effective and is implemented, if ILFML (as responsible entity of IOF) is removed or if there is a removal of a trustee at the sub trust level. If these events occur, co-owners have an opportunity to acquire certain jointly owned properties at prices determined by an independent valuation. Disposal of IOF co-owned properties may give rise to a capital gains tax liability
- *default provisions on borrowings*: a change of responsible entity and/or change of control provisions under IOF's MTNs and/or USPPs may lead to early repayment of borrowings. As at the date of this report, consents have been obtained in relation to IOF's domestic bank borrowings and ISDAs but not in relation to USPPs or MTNs (although we understand that ILFML on behalf of DEXUS RE is seeking consents from USPP note holders and will be seeking consents from MTN holders). DEXUS has entered into Loan Facility Agreements to fund the cash component of the Proposal consideration, pay associated transaction costs and if required, refinance the USPPs or MTNs (including any make whole premiums)
- *integration risks*: there is a risk that integration costs may be greater than anticipated, synergies are not fully realised or are realised after a longer delay than anticipated or that there is disruption to the business as a result of asset specific knowledge not being transitioned efficiently and effectively. The Merged Group will be required to pay responsible entity fees until ILFML is removed by DEXUS. In addition, DEXUS will be required to pay property management and project management fees in relation to various IOF properties until those agreements expire, unless an agreement can be reached to acquire the management rights. There may be disruption to the business (e.g. loss of intellectual property in relation to the assets), however, these risks will be mitigated as a result of:

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[32] Based on the number of DEXUS Property Group Securities forecast to be on issue if the Proposal is implemented at the DEXUS closing price on 3 March 2016.

  - DEXUS RE, as the responsible entity for DEXUS' investment trusts and third party funds, has the requisite ASIC licencing and management team in place to perform the functions of IOF's responsible entity
  - ILFML will be obliged by law and under the IOF trust documents to cooperate with DEXUS RE (as the incoming responsible entity), provide DEXUS RE with certain books, documents and records relating to the AJO Fund and PCP Trust and provide other reasonable assistance to facilitate the change of responsible entity
  - DEXUS intends to establish a dedicated team to attend to the handover arrangements
  - DEXUS has an extensive property management platform and $21.1 billion of AUM (including $14.1 billion of office properties)
  - DEXUS staff will have around three years to gain knowledge of the properties before a majority of the property management and project management agreements expire
  - the level of staff involvement in office management is less specialised that in other sectors (e.g. retail)
  - DEXUS has successfully integrated management platforms in previous transactions (including the acquisition of CPA (with CPPIB) in 2013) and achieved anticipated synergies (albeit with a facilitation agreement in place)
- *geographic concentration*: the Merged Group will have a greater concentration in the Sydney/North Sydney market (60%). Although this market is performing strongly at present, the performance of this market may deteriorate in future
- *industrial property investments*: the Merged Group will be exposed to risks associated with the industrial property sector such as environmental risks and tenancy risks
- *third party management business*: DEXUS has a significant third party management business (5% of FFO (before finance costs and group corporate costs) in the 2015 financial year) that it is actively growing. If the value of DEXUS' third party AUM were to reduce materially, the earnings of the Merged Group would be impacted
- *trading profits*: in the 2015 financial year, trading profits (net of tax) accounted for 6% of DEXUS' FFO (before finance costs and group corporate costs). Trading profits are inherently volatile and may not be realised in future. In regard to the 2016 financial year, as at 31 December 2015, DEXUS had already realised all of the assumed $63.3 million trading profits (net of tax)
- *development activities*: the Merged Group will have a larger development pipeline. Risks in relation to development activities include cost overrun, delays in completion dates or development approvals and risks that the property is not fully leased on completion
- *gearing*: the Merged Group will have a higher level of gearing relative to IOF's current level. However, it is expected that the realisation of synergies and resultant earnings accretion will increase the debt covenants headroom and enable the Merged Group to deleverage over time.

10 Valuation of the Consideration

10.1 Summary

Under the terms of the Proposal, IOF Unitholders can elect between three consideration alternatives, being:

- the Standard Consideration, comprising $0.8229 cash payment and 0.424 new DEXUS Securities
- the Maximum Cash Consideration, being $4.1147 in cash
- the Maximum Scrip Consideration, being 0.53 (rounded to two decimal places) new DEXUS Securities

for each IOF Unit held on the Record Date.

IOF Unitholders who elect to receive the Maximum Cash Consideration or Maximum Scrip Consideration may be subject to a scale-back.

Based on a value range for DEXUS Securities (on a minority interest basis) of $7.25 to $7.70, we have attributed a value to the Standard Consideration of $3.90 to $4.09 per IOF Unit and a value to the Maximum Scrip Consideration of $3.84 to $4.08 per IOF Unit.

Table 31: Value of the Consideration

Consideration **A$ unless otherwise stated**	**Standard Consideration** **Low**	 **High**	**Maximum Cash Consideration**	**Maximum Scrip Consideration** **Low**	 **High**
Value per DEXUS Security	7.25	7.70	-	7.25	7.70
Exchange ratio	0.4240	0.4240	-	0.5299	0.5299
Value of scrip component	**3.07**	**3.26**	**-**	**3.84**	**4.08**
Add: cash component	0.82	0.82	4.11	-	-
Value of consideration per IOF Unit	**3.90**	**4.09**	**4.11**	**3.84**	**4.08**

Source: KPMG Corporate Finance analysis

KPMG Corporate Finance's range of values for DEXUS Securities is lower than the 10 day VWAP to 4 December 2015 (the last trading day prior to the announcement of the Proposal) of $7.76 on which the announced consideration ($4.1147 per IOF Unit) was based. The DEXUS Security price reached a peak shortly before the announcement of the Proposal and was influenced by the DEXUS Security buyback program (which was suspended on 7 December 2015). Consequently, we do not consider DEXUS Security prices during this 10 day period to be representative of trading over a longer period before or after the announcement of the Proposal. In any event, DEXUS' trading in the post announcement period is more relevant to an assessment of the value at which IOF Unitholders could realise their interest.

The value of the Standard Consideration and Maximum Scrip Consideration under the Proposal will vary with movements in the DEXUS Security price. The DEXUS Security price may be higher or lower than KPMG Corporate Finance's assessed range of values. Accordingly, until the new DEXUS Securities are issued under the Proposal, IOF Unitholders who elect to receive the Standard Consideration or Maximum Scrip Consideration (or who elect to receive the Maximum Cash Consideration are subject to the scale-back) are exposed to changes in overall equity market conditions and company specific events that may affect the DEXUS Security price. The following table indicates the sensitivity of the implied value of the Standard Consideration and Maximum Scrip Consideration to changes in the DEXUS Security price.

Table 32: Sensitivity of the implied value of the consideration

A$ unless otherwise stated											
Standard Consideration											
DEXUS Security price	7.00	7.10	7.20	7.30	7.40	7.50	7.60	7.70	7.80	7.90	8.00
Implied value of consideration	3.79	3.83	3.88	3.92	3.96	4.00	4.05	4.09	4.13	4.17	4.21
Maximum Scrip Consideration											
DEXUS Security price	7.00	7.10	7.20	7.30	7.40	7.50	7.60	7.70	7.80	7.90	8.00
Implied value of consideration	3.71	3.76	3.82	3.87	3.92	3.97	4.03	4.08	4.13	4.19	4.24

Source: KPMG Corporate Finance analysis

10.2 Approach

The Standard Consideration comprises both scrip and cash components while the Maximum Scrip Consideration comprises 100% scrip, with the scrip component being in the form of new DEXUS Securities. In determining our valuation range for the Standard Consideration and Maximum Scrip Consideration, it is therefore necessary to estimate the trading price for DEXUS Securities after the Proposal is implemented (rather than a pre-bid price).

Upon implementation of the Proposal, the scrip consideration received by IOF Unitholders will represent minority interests in DEXUS. Accordingly, RG 111 requires the value of the scrip component of the consideration to be assessed on a minority interest basis. It is common practice to utilise the post announcement market price as a basis for estimating the value of an offer with a scrip component, as that represents the value at which IOF Unitholders can realise their interest post implementation of the Proposal. We consider this approach to be appropriate for determining our valuation range for the scrip component of the Standard Consideration and Maximum Scrip Consideration due to the following:

- DEXUS is a liquid stock. It is an ASX 50 listed entity and a member of a number of other indices, including the A-REIT Index and ASX Office Index. There is sufficient liquidity in the market for DEXUS Securities to suggest that recent performance and expectations are reflected in current trading prices
- the trading price of DEXUS Securities reflects the value of portfolio interests and is commonly assumed to exclude a premium for control
- the disclosure requirements associated with being publicly listed suggest that any information in relation to DEXUS' standalone business that would have a material impact on its security price should have been disclosed to the market
- both DEXUS and IOF are relatively transparent entities and are broadly followed by brokers. There has been sufficient time and information available for the market to assess the Proposal and its expected implications for DEXUS. Therefore, the current trading in DEXUS Securities should reflect the estimated impacts associated with the Proposal, albeit the market may also take into account the implementation risks associated with the Proposal
- an alternative approach is to undertake a fundamental valuation of the Merged Group and then to apply a discount to reflect a portfolio interest. However, we have not had access to non-public information on DEXUS that would be required to support a fundamental analysis. In any event, the

consensus view of a liquid market is likely to be a more reliable indication of value given the minority nature of the consideration being offered.

In order to cross-check the valuation range derived from our analysis of trading in DEXUS Securities, we have:

- compared the forecast FFO multiple, distribution yield and premium to NTA implied by our selected value range for DEXUS Securities to market evidence derived from listed A-REITs
- compared our selected value range for DEXUS Securities to brokers' target prices.

10.3 Analysis of trading in DEXUS Securities

In utilising the post announcement market price of DEXUS Securities as a basis for estimating the value of the scrip component of the Standard Consideration and Maximum Scrip Consideration, we have considered the following:

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

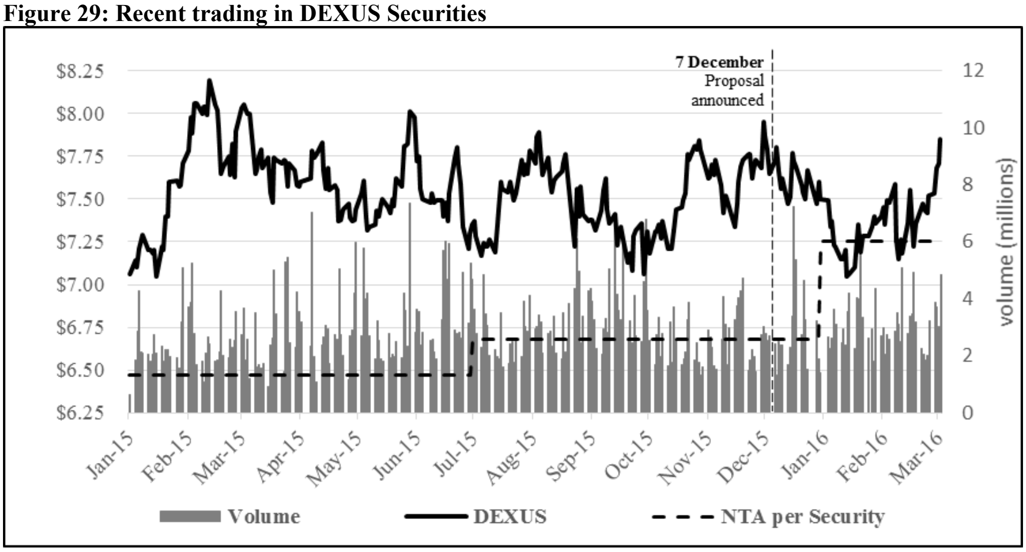
Our analysis of each of these factors is outlined below.

Recent trading in DEXUS Securities

Consistent with most listed A-REITs, DEXUS Securities have traded at a premium to NTA since the first half of 2014, reflecting an expectation of increases in property valuations as a result of the compression in capitalisation rates. The premium has narrowed over time as property valuations (and NTA) have been revised upwards. For DEXUS, the premium to NTA will also reflect the market's assessment of the intangible value associated with the third party management platform and growth opportunities arising from the development pipeline, as well as the DEXUS Securities buyback program that was in effect from 1 September 2015 until the announcement of the Proposal on 7 December 2015.

The DEXUS Security price increased strongly from mid-November 2015 to reach a high of $7.96 on 2 December 2015 and closed at $7.65 on 4 December 2015 (the last trading day prior to the announcement of the Proposal), a 6.2% premium to adjusted 30 June 2015 NTA of $7.20[33]. In the six months to 4 December 2015, DEXUS Securities traded in the range of $7.05 to $7.96, at a VWAP of $7.48.

Figure 29: Recent trading in DEXUS Securities



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

Since the announcement of the Proposal, DEXUS Securities have traded in a wide range of $6.92 to $7.86, at a VWAP of $7.43, and closed at $7.85 on 3 March 2016, a 8.7% premium to the 31 December 2015 pro forma NTA for the Merged Group ($7.22). The DEXUS Security price did not increase substantially following the announcement on 11 December 2015 of a $450 million (4.8%) increase in property valuations, probably as investors had already factored expectations of higher property valuations into their assessment of the DEXUS Security price.

Performance of DEXUS Securities relative to the market

DEXUS is an ASX 50 listed entity and a member of a number of other indices, including the A-REIT Index and ASX Office Index. The performance of DEXUS Securities since 1 January 2015 relative to the A-REIT Index and ASX 200 Index is illustrated on the next page.

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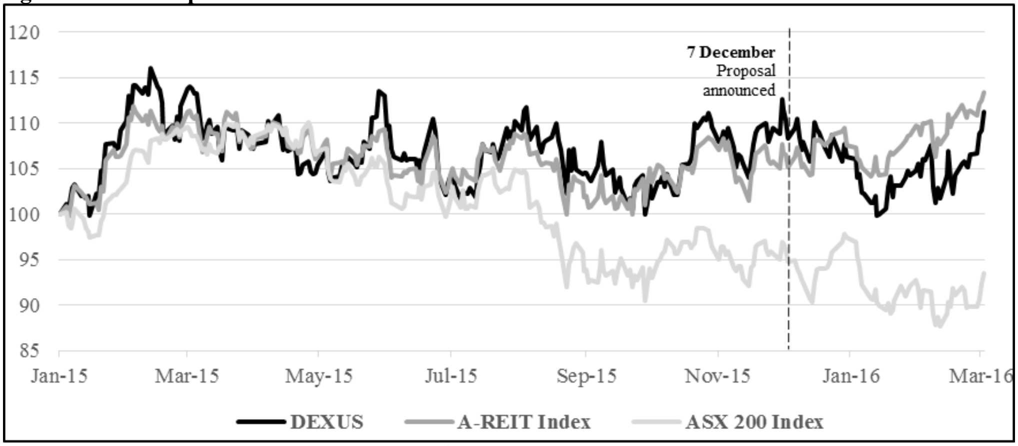
[33] Adjusted to reflect valuation updates, transactions and share buybacks since that date, as contained in the DEXUS presentation, "DEXUS and IOF enter into Implementation Agreement presentation", dated 18 December 2015

Figure 30: Recent performance of DEXUS Securities relative to the market



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

The DEXUS Security price broadly mirrored the A-REIT index and ASX 200 Index from 1 January 2015 until July 2015, after which DEXUS and the A-REIT Index outperformed the broader share market as the A-REIT sector was positively re-rated (refer to commentary in Appendix 3).

As at 4 December 2015 (the last trading day prior to the announcement of the Proposal), the DEXUS Security price had increased by 9.8% and the A-REIT Index had increased by 6.4%, while the ASX 200 Index had declined by 4.8%. DEXUS' 3.4% outperformance relative to the A-REIT Index may reflect:

- the DEXUS Securities buyback program during this period (1 September 2015 to 7 December 2015)
- Vanguard increasing its interest on 16 November 2015 from 7.04% to 8.05% (i.e. approximately 1% of DEXUS Securities)
- an expectation of strong appreciation in property valuations and improving office market conditions.[34]

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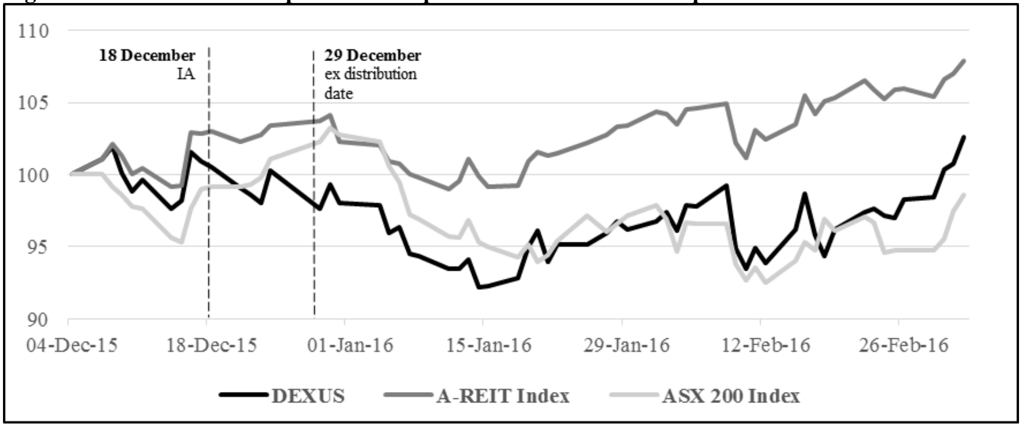
[34] Source: "DEXUS: Limited DPS Downside with Increasing Valuation Support – Maintain OW", Morgan Stanley Australia Limited, 11 October 2015

The performance of the DEXUS Security price relative to the A-REIT Index and ASX 200 Index from 4 December 2015 (the last trading day before the announcement of the Proposal) is illustrated below:

Figure 31: DEXUS relative performance post announcement of Proposal



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

Since the announcement of the Proposal, the DEXUS Security price has underperformed the A-REIT Index and by 3 March 2016, had increased by 2.6% while the A-REIT Index had increased by 7.9% (i.e. DEXUS underperformed the A-REIT Index by 5.3%) and the ASX 200 Index had decreased by 1.4%.

The DEXUS Security price underperformed the A-REIT index following the announcement on 18 December 2015 that DEXUS and IOF had entered into an IA and again when the Securities commenced trading ex distribution (23.1 cents) on 29 December 2015. Underperformance of the DEXUS Security price over this period may also reflect the suspension of the DEXUS Securities buyback program from 7 December 2015.

From early January 2016, the A-REIT Index has outperformed the ASX 200 Index, which declined steeply in line with global indices as a result of concerns regarding the global economy. This outperformance may be attributed to the strong performance of large retail A-REITs that dominate the index including Scentre Group (20% weighting) and Vicinity (12%) as discretionary retail spending remained strong (despite a downturn in other sectors of the economy). The security prices of Scentre Group and Vicinity increased by 9.1% and 15.8%, respectively, over the period shown above.

Market commentators[35] are of the view that office sector property valuations have reached or are approaching a peak and occupancy levels may decline (following a cyclical boom in start-up technology firms that have created additional demand for office space). Although not comparable to DEXUS in terms of asset quality, the decline in the security prices of other office specific A-REITs over the period represented in the chart is consistent with this view (Cromwell's security price remained flat, GDI Property Group's price declined by 5.0% and 360 Capital Office Fund's price declined by 3.2%).

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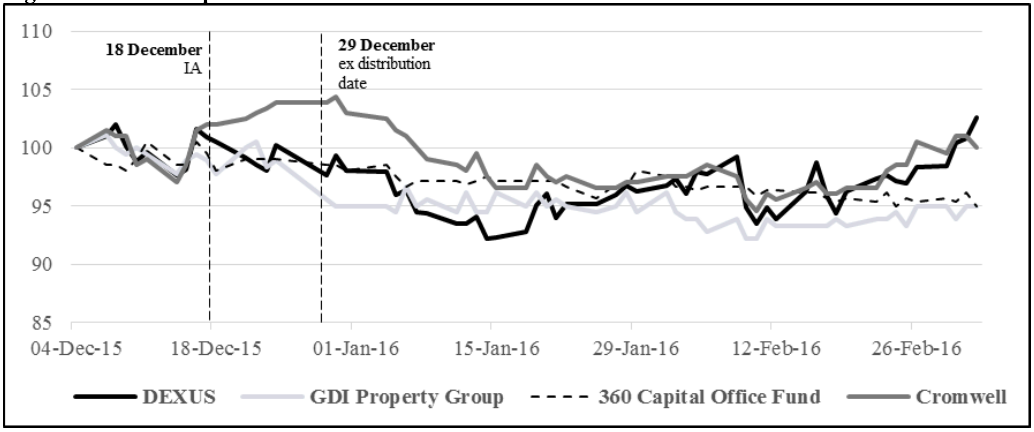
[35] For example: "Year of sold returns a hard act to follow: Property", Australian Financial Review, 29 December 2015; Credit Suisse broker report on DEXUS Property Group, 8 February 2015

Figure 32: DEXUS performance relative to listed office sector A-REITs



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

On 17 February 2016, DEXUS released financial results for the first half of the 2016 financial year and announced that no facilitation agreement had been reached with Morgan Stanley. The DEXUS Security price declined by 4.4% over the next two days to close at $7.22 on 18 February 2016. Since then, the DEXUS Security price has increased strongly (by 8.7%) to close at $7.85 on 3 March 2016 while the A-REIT Index has increased by 2.6%. This outperformance may reflect reduced uncertainty regarding the ownership of the IOF management platform following the announcements on 22 February 2016 that IOMH would be acquired by a company to be stapled to IWFML and on 25 February 2016 that lender consents had been received in relation to the sale of the platform.

Liquidity and VWAP of DEXUS Securities

DEXUS is a liquid stock. The liquidity and VWAP of DEXUS Securities is summarised in Section 8.10.2 of this report.

Table 33: Liquidity and VWAP of DEXUS Securities

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
Period ended 3 March 2016						
1 day	7.66	7.85	7.79	37.7	4.8	0.5
1 week	7.39	7.85	7.64	142.7	18.7	1.9
1 month	7.10	7.85	7.43	498.2	67.0	6.9
7 December 2015	6.92	7.86	7.43	1,380.6	185.8	19.2
Period ended 4 December 2015						
1 day	7.61	7.76	7.65	20.6	2.7	0.3
1 week	7.61	7.96	7.79	107.3	13.8	1.4
1 month	7.27	7.96	7.62	460.5	60.4	6.2
3 months	7.05	7.96	7.46	1422.5	190.6	19.7
6 months	7.05	7.96	7.48	2983.6	399.0	41.2
12 months	6.90	8.25	7.51	5613.1	747.4	79.2

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

With regard to the above analysis, we note:

- the percentage of DEXUS Securities traded during the 12 months to 4 December 2015 indicates that there is sufficient liquidity to suggest that recent performance and expectations are reflected in current trading prices
- trading volume was higher immediately following the announcement of the Proposal, however, this is to be expected as the market reacts to new information. In other periods, the trading volume remained broadly similar pre and post the announcement of the Proposal. Accordingly, there is nothing to indicate any specific abnormal trading in DEXUS Securities.
- in the six months to 4 December 2015, the Securities traded in the range of $7.05 to $7.96, at a VWAP of $7.48. Since the announcement of the Proposal, DEXUS Securities have traded in the range $6.92 to $7.86 and a VWAP of $7.43 (0.7% lower than the pre-announcement VWAP). The range of trading prices is relatively wide over both periods, reflecting the recent share market volatility. On 15 and 18 January 2016, DEXUS Securities traded as low as $6.99 and $6.92, respectively, however, closed at $7.06 and $7.10, respectively. Excluding those days, the post announcement security prices are in the range $7.04 to $7.86.

Publicly available information in relation to DEXUS and the Proposal

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

DEXUS provided guidance for the 2016 financial year on 12 August 2015 and reaffirmed guidance at the Annual General Meeting in October 2015 and on 17 February 2016 when it released the financial results for the first half of the 2016 financial year. It announced an uplift in property valuations of $40 million on 22 October 2015 and further increases in valuations of $450 million on 11 December 2015. It also released a presentation to the market on 18 December 2015 outlining the profile of the Merged Group, including pro-forma NTA ($1.22) and pro-forma FFO guidance for the 2016 financial year. Consequently, there is no reason to consider that any information relating to DEXUS' existing business that would have a material impact on its security price has not been publicly disclosed.

Impact of the Proposal on DEXUS

The profile of the Merged Group is set out in detail in Section 9 of this report and Sections 9 through 11 of the Explanatory Memorandum and is summarised below:

Table 34: Impact of the Proposal on DEXUS

		Merged Group	
	DEXUS	Without Asset Sales	With Asset Sales[1]
Assets under managment			
AUM ($ million)	21,100	24,600	24,162
Investment portfolio ($ million)	10,500	14,000	13,562
Share of third party funds	50%	43%	44%
Office portfolio			
Number of office properties	49	71	69
Book value of office properties ($ million)	8,800	12,300	11,862
Weighting to office	84%	88%	87%
Prime as a percentage of office portfolio	91%	88%	88%
FFO and distribution guidance for 2016 financial year			
Weighted average number of DEXUS Securities on issue	968.6	1,229.0	1,229.0
FFO per Security	63.1¢	62.9¢	61.9¢
Underlying FFO per Security	56.5¢	57.8¢	56.8¢
Distribution per Security	43.5¢	43.4¢	42.7¢
Financial position at 31 December 2015			
Total assets ($ million)	11,124.0	14,870.0	14,432.0
Total liabilities ($ million)	3,799.4	5,594.0	5,156.0
Net assets ($ million)	7,324.6	9,276.0	9,276.0
NTA ($ million)	7,021.3	8,867.0	8,867.0
Number of DEXUS Securities on issue (million)	967.9	1,228.3	1,228.3
NTA per Security	$7.25	$7.22	$7.22
Look through gearing	29.5%	33.5%	31.4%

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

The Proposal has a material, but not transformative, impact in that it expands but does not fundamentally change DEXUS' operations. The Proposal strengthens DEXUS' position as a leading manager and owner of prime grade office assets in Australia and provides a number of strategic benefits including:

- expands DEXUS' office portfolio from $10.5 billion to $14.0 billion (or $13.6 billion if asset sales proceed), retains a focus on the Sydney and Melbourne CBDs and enhances asset and tenant diversification
- creates an opportunity to realise synergies. As a result of cost synergies, DEXUS' management expense ratio reduces from 41 basis points to below 35 basis points. The transaction also creates

improved flexibility and capacity to unlock development and repositioning potential and increased scope to action portfolio leasing strategies for tenants

- on a per Security basis, is accretive to underlying FFO although dilutive to NTA, FFO (inclusive of trading profits) and potentially also distributions (assuming a payout ratio in line with recent experience)
- provides increased global relevance for debt and equity investors seeking exposure to Australian office property.

Both DEXUS and IOF are relatively transparent entities and are broadly followed by brokers. There has been sufficient time and information available for the market to assess the Proposal and its expected implications for DEXUS. In this regard, DEXUS released a presentation to the market on 18 December 2015 outlining the profile of the Merged Group, including pro forma NTA and pro forma FFO guidance for the 2016 financial year.

Although the current trading in DEXUS Securities should reflect the estimated impacts of the Proposal, we also recognise the upside potential in DEXUS Securities from their recent trading level due to the following considerations:

- market speculation that a third party (e.g. CIC, ICPF) would make a counter bid for IOF, particularly as a result of the fall in the DEXUS Security price since the announcement of the Proposal. As a result, DEXUS may be required to make a higher offer or offer with a greater proportion of cash[36]
- market uncertainty as to whether the Proposal would obtain the required Unitholder approvals to be implemented, particularly as there are a number of substantial Securityholders which may potentially hold a blocking interest. Commentators have noted that:
    - Morgan Stanley (which holds a relevant interest of 11.78%) may be able to vote on the Proposal as it has sold IOM (which includes ILFML) to ICPF [37]
    - CBRE Clarion increased its interest in IOF to 10.48% on 23 December 2015[38]
- uncertainty as to whether DEXUS would be able to acquire and transition IOF's management rights without disruption to the business and whether the anticipated cost savings could be achieved in the time horizon indicated. Other than in situations involving financial distress, management rights are typically acquired for an amount which ensures the cooperation of the outgoing responsible entity to assist with the integration. On 18 December 2015, DEXUS advised that it was hopeful of reaching an agreement with Morgan Stanley in relation to the future management of IOF (potentially including an acquisition of ILFML) and that if an agreement could not be reached and if the Proposal was implemented, it may exercise its rights as the owner of IOF to ensure an orderly integration of IOF into the Merged Group. Subsequently, there was considerable press speculation regarding the potential acquisition of the IOF management rights by ICPF, including:

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[36] Source: "CIC approaches Mirvac on $3.5bn Investa Office Fund", Australian Financial Review, 18 January 2015
[37] Source: "Fund looks at Investa unification", The Australian, 29 January 2016
[38] Source: "CBRE boosts IOF stake to 10.48pc", Australian Financial Review, 24 December 2015

  - 29 January 2016: ICPF was seeking to acquire the Investa management platform (including the IOF management rights) and that if successful, Morgan Stanley would be able to vote on the Proposal and its interest may provide a blocking stake[39]
  - 4 February 2016: ICPF unitholders would vote on the acquisition of Investa management platform imminently and that if the vote was successful, DEXUS would have to negotiate with a hostile manager[40]
  - 11 February 2016: DEXUS' $25 million offer to acquire IOF's management rights from Morgan Stanley had lapsed at the end of the prior week and ICPF was close to securing the requisite votes to acquire the platform[41]
  - 14 February 2016: ICPF investors voted to internalise the fund's management rights and to acquire the rights to manage IOF for consideration of just under $100 million.[42]

On 17 February 2016, DEXUS announced that it had been unable to reach a facilitation agreement with Morgan Stanley. On 22 February 2016, IOF noted the announcement by IWFML that it had entered into a binding agreement to acquire the management platform of IOF from Morgan Stanley, effective March 2016.

We note that while the Proposal does not involve the removal of the responsible entity of IOF or any change in the management arrangements of IOF, it is DEXUS' intention to exercise its legal and equitable rights, as the ultimate owner of IOF on implementation of the Proposal to ensure an orderly integration of IOF into the Merged Group and the transition of management of IOF to DEXUS without the disruption of a hostile situation (as discussed in Section 9.8 of the report). As a consequence:

- the Merged Group will be required to pay responsible entity fees until ILFML is replaced by DEXUS RE
- DEXUS will be required to pay property management and project management fees until those agreements expire unless an agreement can be reached to acquire those rights. IOF's property management and project management agreements are in place over approximately a three year period (ending no later than 31 December 2019)
- there is a risk that there may be disruption to the business, however, these risks may be mitigated as a result of:
  - DEXUS RE, as the responsible entity for DEXUS' investment trusts and third party funds, has the requisite ASIC licencing and management team in place to perform the functions of IOF's responsible entity
  - ILFML will be obliged by law and under the IOF trust documents to cooperate with DEXUS RE (as incoming responsible entity), provide DEXUS RE with certain books, documents and records

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[39] Source: "Fund looks at Investa unification", The Australian, 29 January 2016
[40] Source: "Data room", The Australian, 4 February 2016
[41] Source: "Data room", The Australian, 11 February 2016
[42] Source: "ICPF investors give thumbs-up to internalisation, IOF rights", Australian Financial Review, 14 February 2016

relating to the AJO Fund and PCP Trust and provide other reasonable assistance to facilitate the change of responsible entity

- DEXUS intends to establish a dedicated team to attend to the handover arrangements
- DEXUS has an extensive property management platform and $21.1 billion of AUM (including $14.1 billion of office properties)
- DEXUS staff will have around three years to gain knowledge of the properties before a majority of the property management and project management agreements expire
- the level of staff involvement in office management is less specialised that in other sectors (e.g. retail)
- DEXUS has successfully integrated properties in previous transactions (including the acquisition of CPA (with CPPIB) in 2013) and achieved anticipated synergies (albeit with a facilitation agreement in place).

Other factors

The acquisition of IOF may trigger:

- change of control provisions in IOF's USPP and MTN documentation which may lead to an earlier repayment of borrowings (including, in some instances, at a premium to face value) and/or the payment of additional fees to noteholders
- pre-emptive rights in favour of co-investors in certain of IOF's jointly owned properties.

Although the market may not have had full information on these matters:

- change of control provisions are typical within borrowing documentation for A-REITs. DEXUS had access to IOF information (including borrowing documentation) prior to entering into the IA. Bank lenders have agreed to provide consents to IOF in the event DEXUS acquires IOF and DEXUS RE replaces ILFML as the responsible entity. Although consents have not yet been received from USPP or MTN holders, ILFML on behalf of DEXUS RE for IOF is continuing to seek consents and furthermore, DEXUS has stated that it has funding commitments such that it can fund the cash component of the consideration, associated transaction costs and if required, make payments pursuant to IOF's USPP and MTNs
- default and/or pre-emptive rights are a common feature of jointly owned properties. In this case, the price to be received by IOF would be the value determined by an independent valuer. DEXUS had access to co-ownership agreements prior to entering into the IAF.

Conclusion

KPMG Corporate Finance has assessed that a DEXUS Security price of $7.25 to $7.70 is a reasonable estimate in current market conditions of the ex distribution security price if the Proposal is implemented. This range takes into account the recent performance of DEXUS Securities, the distribution for the half year to 31 December 2015 and the financial impact of the acquisition of IOF (including the pro-forma NTA per Security).

Since the announcement of the Proposal, trading in DEXUS Securities has been impacted by:

- a 1.4% decline in the ASX 200 Index and significant market volatility
- a change in investor sentiment regarding the office sector and market commentary indicating that office valuations have reached or are approaching a peak
- DEXUS Securities trading ex distribution (23.1 cents) from 29 December 2015
- suspension of the Securities buyback program from 7 December 2015
- release of financial results for the first half of the 2016 financial year on 17 February 2016
- uncertainty as to whether DEXUS would be able to transition IOF's management rights to its platform and whether the anticipated cost savings could be achieved in the time horizon indicated
- market uncertainty as to whether the Proposal would obtain the required approvals to be implemented (particularly given Morgan Stanley's substantial Unitholding) and whether DEXUS would be required to make a more favourable offer.

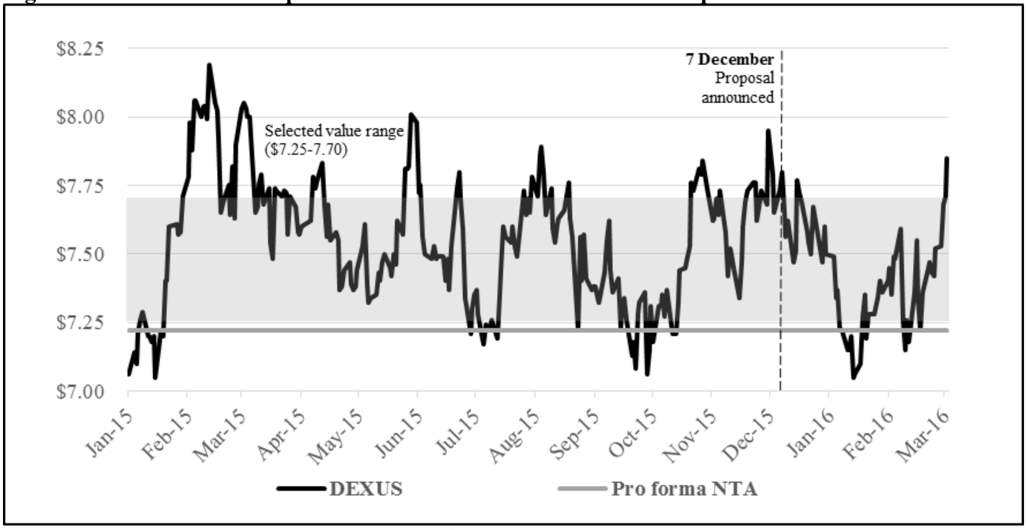
Nevertheless:

- there is no evidence to suggest that the DEXUS Security price does not reflect the rational view of a well informed market
- REITs such as IOF and DEXUS are relatively transparent entities, are broadly followed by brokers and sufficient information has been disclosed to enable analysis of the impact of the acquisition on DEXUS
- the market has had sufficient time to assess the Proposal and implications for DEXUS.

Therefore, the impact of the acquisition of IOF should be reflected in the DEXUS Security price, although uncertainty remains as to the integration of the management platform over time.

The selected value range relative to DEXUS recent trading prices and the pro-forma NTA is illustrated on the next page:

Figure 33: DEXUS relative performance since announcement of Proposal



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

The value range of $7.25 to $7.70 represents a premium to the Merged Group's pro-forma NTA of $7.22 in the range of 0.4% to 6.6%. This is appropriate as:

- premiums to NTA have narrowed considerably over the last 12 months as property valuations have been revised upwards. Market commentators are of the view that capitalisation rate compression is at or is approaching the end of the cycle
- the premium reflects a value associated with the third party funds management activities and growth potential arising from development opportunities, which are not reflected in NTA.

We note that while the DEXUS Security price has traded above and below this range, the value range captures the majority of trading in DEXUS Securities since the announcement of the Proposal until 3 March 2016 ($6.92 to $7.86 and a VWAP of $7.43). The high end of this range reflects that DEXUS Securities were trading cum distribution of 23.1 cents towards the end of December 2015 while the low end reflects an intraday price on 18 January 2016, a particularly volatile day of trading, when the Securities closed at $7.10.

To the extent that the DEXUS Security price is higher than the value range, the implied consideration under the Proposal will increase. The Proposal will remain fair and IOF Unitholders will be better off.

KPMG Corporate Finance's range of values for DEXUS Securities is lower than the 10 day VWAP to 4 December 2015 (the last trading day prior to the announcement of the Proposal) of $7.76 on which the announced consideration ($4.1147 per IOF Unit) was based. The DEXUS Security price reached a peak shortly before the announcement of the Proposal and was influenced by the DEXUS Securities buyback program (which was suspended on 7 December 2015). Consequently, we do not consider DEXUS Security prices during this 10 day period to be representative of trading over a longer period before or after the announcement of the Proposal.

Our selected valuation range for DEXUS Securities is also supported by the current target prices of brokers covering DEXUS as analysed in Section 11.4.2 below.

10.4 Valuation cross-check

10.4.1 Comparison to listed A-REITs

In order to cross-check our selected valuation range for DEXUS Securities, we have compared the implied valuation metrics (in terms of dividend yield, FFO and NTA) to market evidence derived from various categories of listed A-REITs. The implied valuation metrics are presented below:

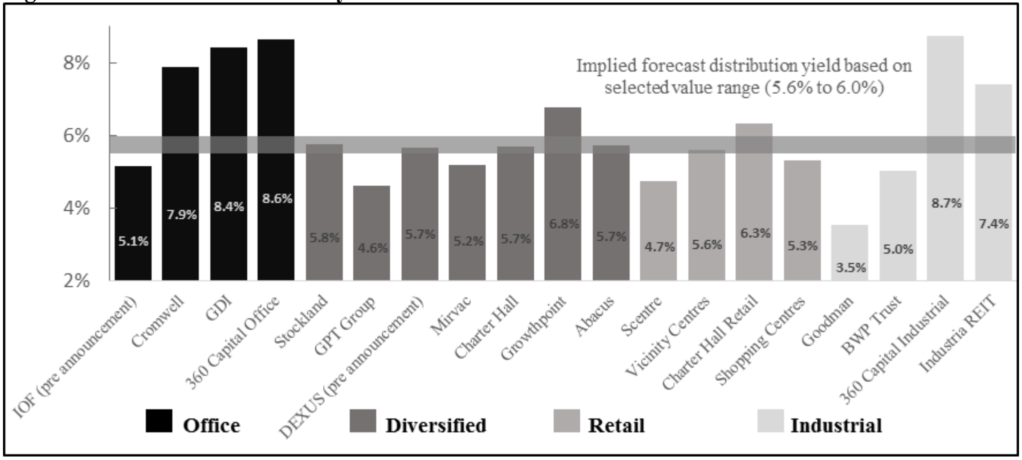
Table 35: DEXUS implied multiples cross-check

Implied metrics	Section reference	Low	High
Value per DEXUS Security	10.1	**$7.25**	**$7.70**
FY16 distribution per DEXUS Security		43.4¢	43.4¢
FY16 distribution yield		**6.0%**	**5.6%**
FY16 FFO per DEXUS Security (including trading profits)	10.3	62.9¢	62.9¢
FY16 FFO multiple (times)		**11.5**	**12.2**
FY16 underlying FFO (excluding trading profits)	10.3	57.8¢	57.8¢
FY16 underlying FFO multiple (times)		**12.5**	**13.3**
Pro forma NTA per Security at 31 December 2015	10.3	$7.22	$7.22
Premium to pro forma NTA		**0.4%**	**6.6%**

Source: KPMG Corporate Finance analysis

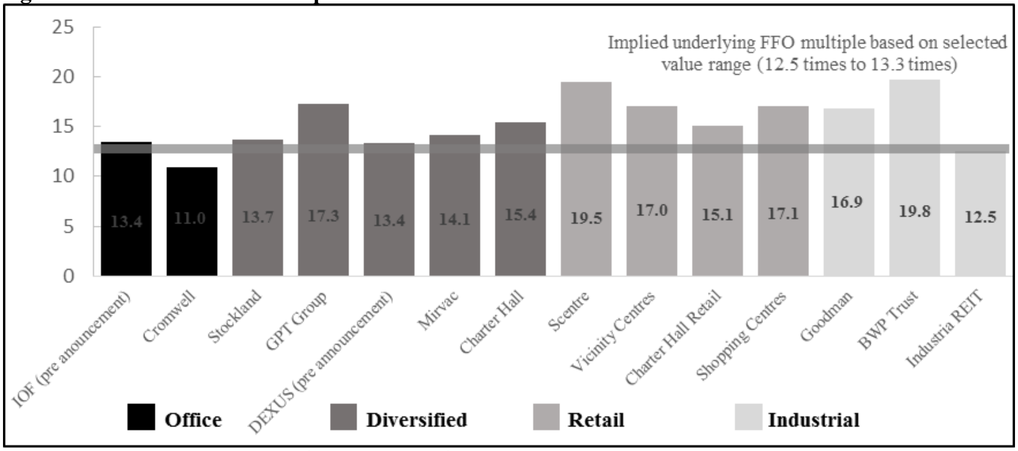
The valuation metrics implied by our selected valuation range for DEXUS Securities fall within the range observed for the various categories of listed A-REITs, as illustrated below:

Figure 34: Forecast distribution yield



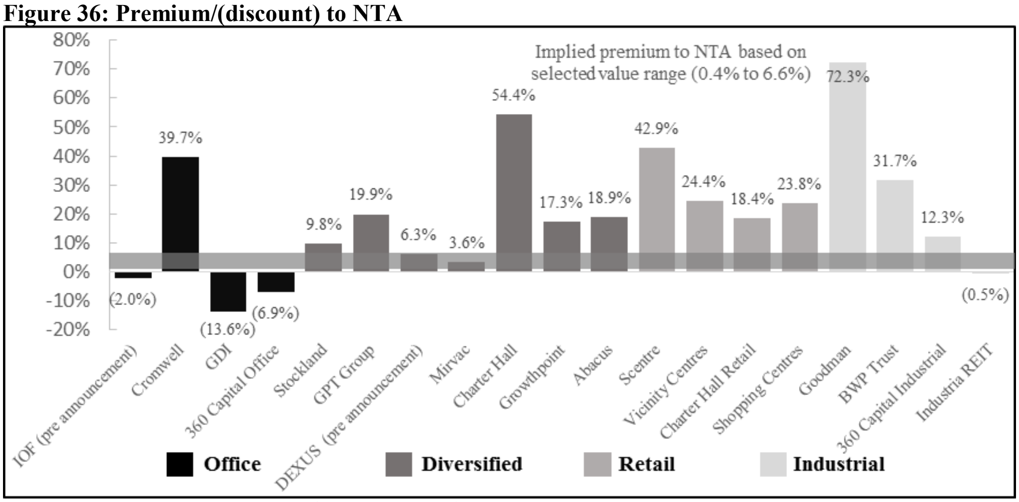
Source: KPMG Corporate Finance analysis; S&P Capital IQ

Figure 35: Forecast FFO multiple



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

Figure 36: Premium/(discount) to NTA



Source: KPMG Corporate Finance analysis; S&P Capital IQ
Note 1: NTA for IOF ($3.91) and DEXUS ($7.20) represents the NTA as at 30 June 2015, adjusted to reflect valuation updates, transactions and share buybacks since that date, as contained in the DEXUS presentation, "DEXUS and IOF enter into Implementation Agreement presentation", dated 18 December 2015

DEXUS is an internally managed A-REIT with a diversified property portfolio and large third party funds management operations. If the Proposal is implemented, its investment portfolio will have a weighting of 88% office and 12% industrial. Third party mandates will represent 43% of AUM. It will also have an exposure to the retail sector through its funds management activities (although will not directly benefit from property revaluations in the sector). None of the listed A-REITs are directly comparable to DEXUS. In this regard:

- IOF, Brookfield, 360 Capital Office Fund, 360 Capital Industrial Fund and Industria REIT are externally managed and do not have extensive third party funds management activities. These A-

REITs are generally trading at a lower premium (higher discount) to NTA and their distribution yields are relatively high. Although externally managed, premiums to NTA for Charter Hall Retail REIT and BWP Trust are relatively high. Charter Hall Retail REIT's premium to NTA is the lowest among the retail A-REITs presented (which are all trading at relatively high premiums, in part reflecting the relatively buoyant retail property sector), while for BWP Trust, this may reflect the relative surety of tenant occupancy and strong growth profile of the Bunnings Group Limited

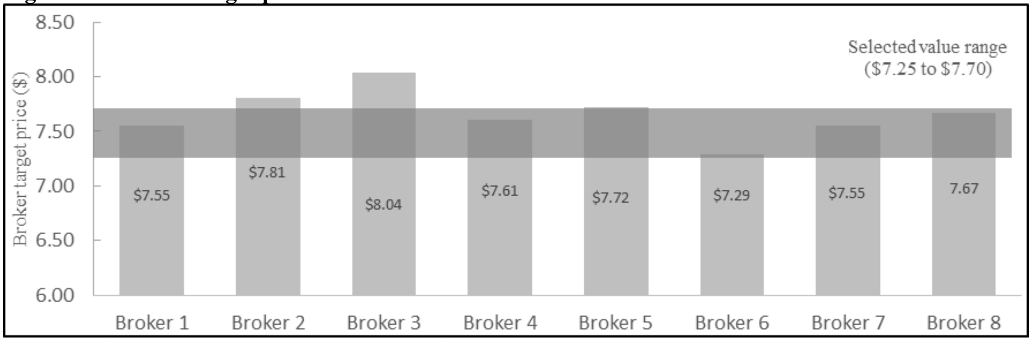
- Charter Hall and Cromwell are not comparable to DEXUS as they are primarily third party asset managers (third party funds represent 93% of Charter Hall's and 82% of Cromwell's AUM). Third party fund management activities are not asset intensive and are not fully reflected in NTA. As a result, their premiums to NTA are high
- although internally managed, Stockland's portfolio is focused on the retail sector and it has substantial residential development activities. Therefore, it is not directly comparable to DEXUS
- the asset quality of listed A-REITs that specialise in the office property sector is relatively low compared with DEXUS (and IOF) and a number of these A-REITs have a greater exposure to the underperforming Perth (GDI) and/or Brisbane (Cromwell, 360 Capital Office Fund) property markets. As a result, their distribution yields are relatively high (7.9% to 8.7%)
- a number of the diversified A-REITs that are internally managed have a significant weighting towards the office property sector, including Mirvac (58%), Growthpoint (57%) and Abacus (66%). The quality of their portfolios is relatively high and their distribution yields are relatively low (5.2% to 6.8%). The low end of this range is represented by Mirvac which, similar to DEXUS, has a substantial share of premium grade properties, however, Mirvac also has extensive residential development activities
- GPT has a higher premium to NTA (19.9%), lower distribution yield (4.6%) and higher FFO multiple (17.3 times) than DEXUS. Third party mandates represent 50% of GPT's AUM, which is higher than for the Merged Group (43%), and it has substantial development activities, suggesting a higher premium to NTA is appropriate. GPT has a lower overall capitalisation rate on its investment portfolio. The capitalisation rate on GPT's office portfolio as at 31 December 2015 (5.9%) was the lower than the capitalisation rate on DEXUS' office portfolio as at 31 December 2015 (6.3%) and the overall the capitalisation rate on GPT's investment portfolio is also reduced by the relatively low rate on the retail portfolio (5.6%), which represents 50% of GPT's investment portfolio. Furthermore, GPT's distribution payout ratio is higher (80% of FFO, compared to DEXUS' 69% of FFO). As a result, GPT's distribution yield is very low. In addition, GPT has substantial development activities and exposure to the relatively buoyant retail sector and, therefore, its FFO multiple is relatively high.

Based on the analysis outlined above, we consider that the market evidence derived from various categories of A-REITs supports our selected valuation range for DEXUS Securities.

10.4.2 Comparison to broker target prices

As a final valuation cross-check, we have compared our selected valuation range for DEXUS Securities to current broker target prices. This comparison is illustrated on the next page.

Figure 37: Broker target prices



Source: Broker reports; KPMG Corporate Finance analysis

With regard to the above comparison, we note:

- the above target prices have been sourced from the latest available broker reports. As far as KPMG Corporate Finance is aware, there are 11 brokers that follow DEXUS. Two of those brokers have restrictions in place and as such, have not provided target prices. Of the remaining nine brokers, eight have published reports after the release of DEXUS financial results for first half of the 2016 financial year. Therefore, we consider that these target prices would reflect the most recent financial information publicly available for DEXUS
- the range in target prices is relatively wide, ranging from $7.29 to $8.04, with a median target price of $7.64. Our selected valuation range falls in the mid to low end of the range of broker target prices, which is appropriate given that target prices represent forward looking 12 month targets
- at its closing price on 3 March 2016, DEXUS was trading at $7.85, which is above most broker target prices
- it is unclear to what extent the brokers have reflected the estimated impacts of the Proposal in their target prices (particularly in relation to expected synergy and accretion benefits, and the associated costs and risks relating to implementation and integration).

11 Valuation of IOF

11.1 Approach

Our valuation of an IOF Unit is based on the net assets methodology. REITs, particularly those which passively hold portfolios of properties, are commonly valued with reference to net asset values. Other valuation methodologies (such as capitalisation of earnings and discounting of cash flows of the entity as a whole) are generally not used. The net assets methodology is preferred for IOF as its value lies in its underlying properties and not the ongoing operations of the fund. The net assets methodology requires a valuer to determine the market value of the assets and liabilities at the valuation date, before deducting an allowance for corporate costs incurred to manage the portfolio. This approach represents the market value of the underlying assets, which is different to the net proceeds derived on the winding up of an entity (where CGT and other wind-up costs may apply).

11.2 Summary

KPMG Corporate Finance has assessed an adjusted NTA for IOF in the range of $3.92 to $4.13 per Unit. This estimate is based on IOF's audited NTA as at 31 December 2015 of $2,443.5 million ($3.98 per Unit). Various adjustments have been made to derive adjusted NTA as summarised below:

Table 36: Summary of values

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

Source: KPMG Corporate Finance analysis

Adjusted NTA represents the aggregate full underlying value of IOF. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets). Nevertheless, in certain situations, it is appropriate to apply a premium to adjusted NTA. KPMG Corporate Finance considers that a premium to adjusted NTA in the range of nil to 5% is appropriate, having regard to the specific attributes of IOF, as well as premiums to NTA observed in recent control transactions involving passive office A-REITs (refer to Section 11.6 of this report for a discussion of premium to adjusted NTA).

11.3 Net tangible assets

IOF's audited financial position as at 31 December 2015 is set out in detail in Section 7.7 of this report. The audited NTA as at 31 December 2015 is summarised on the next page.

Table 37: IOF NTA as at 31 December 2015

As at $ million	31-Dec-15
Cash	6.3
Investment properties	2,648.5
Equity accounted investments	605.9
Assets held for sale	70.5
Other assets	308.9
Total assets	**3,640.1**
Interest bearing liabilities	1,094.3
Distribution payable	60.2
Other liabilities	42.1
Total liabilities	**1,196.6**
NTA	**2,443.5**

Source: IOF Financial Statements for the half year ended 31 December 2015

Investment properties

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

- the property valuers were independent of IOF
- 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 appear to be consistent with those generally applied in the industry (i.e. discounted cash flow, capitalisation of net income and direct comparison (i.e. value per square metre of net lettable area)), with valuation conclusions selected having regard to the results of each methodology. 151 Clarence Street, Sydney, was valued on an 'as if complete, less costs to complete' basis in line with market practice.

This review does not, however, 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)

- deduct the net present value of unexpired tenant incentives
- incorporate property management fees in relation to each property net of the recovery of these costs from tenants
- allow for selling costs, in accordance with normal property valuation methodologies
- were undertaken on a going concern basis in accordance with current use.

On this basis, KPMG Corporate Finance considers that the valuations of the investment properties are not unreasonable and are therefore appropriate for use in a net assets based valuation approach.

Given the short time that has elapsed since 30 November 2015 (approximately three months) and the nature of the assets being valued (i.e. passive investments in office property assets for which there is no liquid market), there is unlikely to have been any material change in the market value of these assets since they were valued.

Equity accounted investments

The audited NTA as at 31 December 2015 includes IOF's share of the NTA of equity accounted investments at that date. NTA reflects the most recent independent valuation for these properties and capital expenditure and other payments since valuation to 31 December 2015. At 31 December 2015, the most recent valuation for each property was 30 November 2015.

11.4 Capitalised corporate overheads

NTA does not reflect the cost structure associated with being a listed investment vehicle. Corporate overheads are a cost of IOF's operating structure and include:

- responsible entity fees and custodian fees
- listed entity costs (such as annual reports, unitholder communications and listing fees, etc.)
- other expenses (e.g. audit, tax, legal, valuation, property due diligence).

The independent property valuations reflect only costs associated with the management of the properties and do not reflect any corporate overhead costs. We therefore consider it appropriate to adjust the NTA value to reflect the capitalised value of these costs.

It is estimated that in the 2016 financial year, IOF will incur responsible entity fees of $12.3 million and other expenses (including listing costs and other operating expenses) of $2.7 million (a total of $15 million). DEXUS expects to be able to eliminate responsible entity fees (by voting to replace the responsible entity with the DEXUS RE following implementation of the Proposal) as well as other expenses but will incur incremental corporate overheads of $4 million per annum (i.e. net cost savings of $11 million per annum or 73%). There are a number of other potential acquirers of 100% of IOF that have existing property funds management platform in Australia (e.g. GPT, DEXUS, Brookfield Australia, Mirvac Group, Stockland Group, Charter Hall Group) and which could likely save a substantial share of responsibility entity fees and trust expenses as well as listing costs. Assuming a range of potential acquirers could achieve cost savings of this magnitude (or potentially greater), KPMG Corporate Finance has assumed residual corporate overheads in the range of $3 to $4 million per annum (i.e. net cost savings of 73% to 80%).

We have capitalised the residual overheads at a multiple of 8 times, which is consistent with multiples typically applied for costs of this nature in the context of A-REITs, and consistent with multiples applied in other independent expert reports involving A-REITs.

We have assessed a value of capitalised costs to be in the range of $24 to $32 million as set out below.

Table 38: Capitalised overhead costs

$ million unless otherwise stated	Low	High
Estimated corporate overheads (net of savings)	4.0	3.0
Caplitalisation multiple (times)	8.0	8.0
Capitalised corporate overheads	**32.0**	**24.0**

Source: KPMG Corporate Finance analysis

IOF also pays property management and project management fees to third parties, including various subsidiaries of IOM. A number of IOF's property management and project management agreements are in place over an approximately three year period, with the last one terminating on 31 December 2019. A potential acquirer of IOF that has an existing office property management business (e.g. GPT, DEXUS, Brookfield Australia, Mirvac Group, Stockland Group, Charter Hall Group) may be able to save a portion of these costs once those agreements expire (or if an agreement could be reached to acquire those management rights). However, property management fees are included in IOF's net property income and development fees are capitalised or expensed as appropriate. To the extent that these fees are not in line with market rates, independent valuers adjust them for the purposes of valuation. Consequently, even if a portion of these fees could be saved, the independent property valuations would not change. Therefore, no separate adjustment has been made for these potential savings.

11.5 Other assets and liabilities

Borrowings included in the audited NTA at 31 December 2015 reflects the amount drawn net of $3.5 million of borrowing costs which have been capitalised for accounting purposes. These are not assets that are realisable and therefore have been excluded in deriving the adjusted NTA. All other assets and liabilities have been included at their face value.

11.6 Premium over NTA

Overview

RG 111 requires that in assessing the fairness of the Proposal, it is necessary to consider the extent to which a premium for control may be appropriate.

It is 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 share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration.

IOF's adjusted NTA per Unit (excluding premium) represents the aggregate full underlying value of IOF. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets). Nevertheless, a premium over NTA may be appropriate in certain situations, including:

- where property valuations are not current in a rising market
- the target has substantial other operating businesses (e.g. third party property management) that are not capital intensive and as such are not fully reflected in NTA (and, in particular, where the acquirer can derive synergies from those operations)
- the target has a substantial development pipeline, providing growth opportunities
- economies of scale can be achieved by integrating the target's business with the acquirer's operations, for example in funds management, property management and development management
- where the portfolio is unique and has strategic value
- stamp duty savings associated with acquiring a portfolio of assets (rather than individual assets)
- the outcome of a competitive bidding process.

In other situations, a discount to NTA may be appropriate, for example:

- where property valuations are not current in a declining market
- the portfolio contains non-core assets that are not attractive to acquirers
- in the absence of substantial cost synergies
- the target is in financial distress.

Characteristics of IOF

There are a range of factors that indicate a premium to adjusted NTA may be appropriate in the case of IOF as the acquisition provides an opportunity for an acquirer to:

- purchase one of the few remaining sector specific office portfolios that has not already been acquired or internalised. IOF's portfolio is weighted towards prime office properties in Sydney and Melbourne markets, which have been performing strongly (although there is no guarantee that they will continue to perform strongly). The asset quality of other ASX listed office specific A-REITs is generally lower than for IOF and their portfolios have a greater exposure to the weaker Brisbane and Perth markets
- potentially avoid substantial stamp duty costs by acquiring IOF's portfolio as opposed to acquiring each of the properties individually. Based on the carrying value of IOF's properties at 31 December 2015, it is estimated that stamp duty costs saved are in the range of $182-193 million[43].

However, there are factors present within IOF that limit the amount of a premium, being:

- IOF is a passive, externally managed A-REIT with no operating business or third party mandates

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[43] Calculated as 5.5% of $3.5 billion in properties (no asset sales) to 5.5% of $3.3 billion in properties (with asset sales)

- the existence of pre-emptive rights over certain jointly owned properties and change of control provisions in IOF's funding documents
- all property valuations are up to date (as at 30 November 2015), including those held jointly with third parties. Market commentators are suggesting that valuations in the office sector have reached or are approaching a peak[44]. They are also already prepared on a control basis
- there are seven less attractive properties located in the underperforming Brisbane and Perth markets
- IOF has no substantial development pipeline, other than 151 Clarence Street, Sydney. The book value of $88.2 million reflects the valuation on an 'as if complete less costs to complete' basis, in line with market practice. While there is some upside, development has not yet commenced and development risk remains
- KPMG Corporate Finance's assessed adjusted NTA value already reflects $3 to $4 million of residual operating costs (after cost savings).

On balance, the specific attributes of IOF indicate that only a modest premium, particularly given that all property valuations are current and prepared on a control basis may be appropriate.

Comparable transactions

Premiums/discounts to NTA for transactions involving A-REITs following the onset of the global financial crisis in 2008 is illustrated on the next page:

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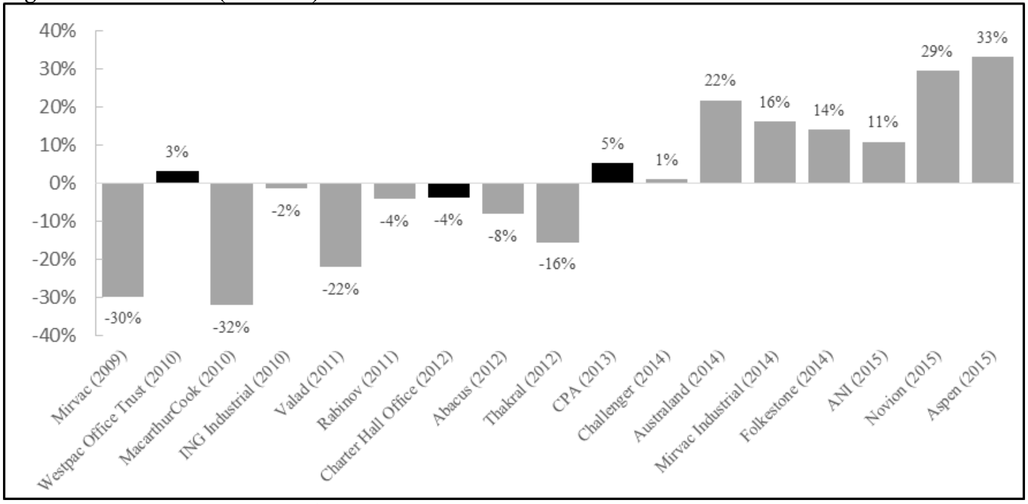
[44] For example: "Year of sold returns a hard act to follow: Property", Australian Financial Review, 29 December 2015; Credit Suisse broker report on DEXUS Property Group, 8 February 2015

Figure 38: Premium/(discount) to NTA in A-REIT transactions



Source: KPMG Corporate Finance analysis

Premiums (discounts) to NTA largely reflect the stage of the property cycle at the time of the transaction:

- transactions prior to 2013 generally occurred at a discount to NTA. This period was characterised by write downs in property valuations (generally, with a lag), deleveraging and the sale of overseas and non-core assets. A number of A-REITs were likely in financial distress
- the transactions from mid-2014 have occurred at a significant premium to reported NTA, largely reflecting an expectation of rising property valuations (with a lag). Other factors that have influenced premiums paid in recent transactions include the presence of substantial development activities (Australand), Novion's large third party asset management business (38% of AUM) and the competitive bidding process involved in the acquisitions of CPA, Australand and Aspen Park.

Market commentators are suggesting that valuations in the office sector have peaked or are nearing a peak. This suggests that the price paid in a current transaction for a passive investment trust should be closer to NTA.

IOF is a passive, externally managed A-REIT with no operating business or third party mandates. Acquisitions of passive office A-REITs include:

- ***acquisition of Westpac Office Trust in April 2010***, a cash and scrip transaction that occurred at a 3.1% premium to NTA. Westpac Office Trust had a portfolio of 7 properties with a total value of $1.1 billion and was comprised 84% of A grade properties and 95% of properties were located in NSW. The portfolio had a WALE of 8.7 years and a weighted average capitalisation rate of 7.4%. It was highly geared (62%) and had limited headroom relative to covenants
- ***acquisition of Charter Hall Office REIT in January 2012***, a cash transaction that occurred at a discount of 3.9% to NTA. As at 31 December 2011, the portfolio comprised 18 properties which had a book value of $1.8 billion and included predominantly high grade office properties (premium, 63%;

A grade, 34%). It had a WALE of 4.5 years, occupancy of 97% and weighted average capitalisation rate of 7.8%. Approximately 84% of properties were located in Sydney and Melbourne

- ***acquisition of CPA in December 2013***, a cash and scrip transaction that occurred at a premium of 5.2% to NTA. As at 31 October 2013, CPA had 25 office assets with a total value of $3.8 billion (comparable in size to IOF) that included premium (13%) and A grade (76%) properties. The portfolio had a WALE of 4.7 years, occupancy of 95.6% and a weighted average capitalisation rate of 7.3%. CPA's property portfolio was concentrated in NSW (46%) and Victoria (31%). The transaction followed a competitive bidding process by DEXUS and GPT.

These transactions indicate a premium in the range of (3.9%) to 5.3% to NTA for an office specific A-REIT. The high end of this range (CPA) involved a competitive bidding situation.

It should be noted that premiums are calculated relative to audited NTA. The equivalent premium/(discount) to adjusted NTA would be slightly higher/(lower).

Taking into account the premiums to NTA observed in recent comparable transactions involving passive, office specific A-REITs with passive investments in the office sector as well as the specific attributes of IOF, KPMG Corporate Finance is of the view that a premium in the range of nil to 5% is appropriate for IOF.

11.7 Valuation cross-check

As a cross-check to our primary net assets methodology, we have applied a capitalisation of earnings method with reference to implied FFO multiples and distribution yields implied by our primary valuation and compared them to those of the comparable listed A-REITs and recent transactions involving A-REITs.

Our assessed value of an IOF Unit on an adjusted NTA basis of $3.92 to $4.13 implies the following forecast FFO multiples and forecast distribution yields:

Table 39: IOF implied multiples cross check

Implied metrics	Section Reference	Low	High
Value per IOF Unit	**11.2**	**$3.92**	**$4.13**
FY16 distribution per Unit	7.11	19.6¢	19.6¢
FY16 distribution yield		**5.0%**	**4.7%**
FY16 FFO per Unit	7.11	28.4¢	28.4¢
FY16 FFO multiple (times)		**13.8**	**14.5**

Sources: KPMG Corporate Finance Analysis

The relevant market evidence is summarised below and provided in detail in Appendix 4.

Comparable transactions

There are a number of recent transactions involving sector specific A-REITs that focus on passive investments in office properties. These transactions occurred at an exit yield in the range of 5.0% to 7.7% and a forecast FFO multiple in the range of 12.8 times to 14.0 times and are summarised on the next page:

Table 40: Transaction evidence

Announcement date	Transaction	Internally/ externally managed	Consideration ($ million)	Premium/ (discount) to NTA[1]	Exit yield[2]		FFO multiple
					Historic	Forecast	
Dec 2013	Commonwealth Property Office Fund	E	2,910.0	5.2%	5.3%	5.0%	12.8
Jan 2012	Charter Hall Office REIT	E	1,228.4	(3.9%)	na	5.3-6.5%	14.0
Apr 2010	Westpac Office Trust	E	417.0	3.1%	7.7%	7.7%	na
Low			**417.0**	**(3.9%)**	**5.3%**	**5.0%**	**12.8**
High			**2,910.0**	**5.2%**	**7.7%**	**7.7%**	**14.0**
Median			**1,228.4**	**3.1%**	**6.5%**	**5.9%**	**13.4**

Sources: KPMG Corporate Finance Analysis
Note 1: NTA from the last financial report for each target entity

In relation to the above, we note:

- the most current transaction, the acquisition of CPA by DEXUS, is the most relevant. CPA's $3.8 billion investment portfolio was of a similar scale to IOF's portfolio ($3.5 billion). The acquisition occurred at relatively low exit yield of 5.0% (although this may reflect that the transaction occurred as part of a competitive bidding situation)
- the relatively high yield for Westpac Office Trust may reflect that the transaction occurred during a weaker stage of the property cycle and was over geared.

Comparable companies

There are no directly comparable sector specific A-REITs focused on passive investment in the office sector. Other than IOF, office sector A-REITs include Cromwell Property Group (Cromwell), GDI Property Group Limited (GDI), Brookfield Property Fund (Brookfield Property) and 360 Capital Office Fund. Similar to IOF, Brookfield Property and 360 Capital Office Fund are externally managed, whereas Cromwell and GDI are internally managed. In addition, both Cromwell and GDI have third party asset management activities. Furthermore, the quality of the office portfolios are generally lower than IOF and, therefore, their distribution yields are relatively high (7.9% to 8.6%).

Conclusion

IOF's implied FFO multiple of 13.8 to 14.5 times is at or above the range of the transaction evidence (12.8 to 14.0 times). This is not unreasonable, having regard to IOF's exposure to the strongly performing Sydney and Melbourne office markets and relatively low exposure to the weaker Brisbane and Perth markets.

The implied distribution yield of 4.7% to 5.0% is at or below the low end of the market evidence (5.0% to 6.5%) and is similar to that of CPA (the most comparable transaction). A low distribution yield is appropriate for IOF, having regard to the compression in capitalisation rates since the CPA transaction.

On that basis, we consider the implied FFO multiple and distribution yield support our value range of $3.92 to $4.13 per IOF Unit.

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

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

Disclaimers

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

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

Independence

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

Consent

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

Declarations

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

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- Notice of Meeting and Explanatory Memorandum (the Explanatory Memorandum)
- annual results and financial statements of IOF for the years ended 30 June 2014 and 2015
- half year results of IOF for the period ended 31 December 2015
- ASX announcements, press releases, media and analyst presentations and other public filings by IOF including information available on its website
- broker reports and recent press articles regarding IOF
- information sourced from S&P Capital IQ
- other publicly sourced information made available by the Australian Bureau of Statistics (ABS) and Oxford Economics
- various reports published by IBISWorld Pty Ltd.

DEXUS information used has been based on publically available information including:

- annual results and financial statements of DEXUS for the years ended 30 June 2014 and 2015
- half year results of DEXUS for the period ended 31 December 2015
- half year results presentations and appendices for the period ended 31 December 2015

Non-public information

- Board papers and other internal briefing papers prepared by ILFML in relation to the Proposal
- Other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of ILFML as responsible entity for IOF.

Appendix 3 – Industry overview

Overview

IOF is an A-REIT that invests in Australian office buildings throughout Australia. DEXUS is a diversified A-REIT that invests in office properties (81% of book value) and industrial properties (19%). DEXUS also undertakes development, management and trading of office, industrial and retail properties on behalf of third parties.

In order to provide context with regard to the current economic and industry factors relevant to IOF and DEXUS, we have provided an overview of the A-REIT industry and the Australian office, industrial and retail property sectors.

A-REIT industry

A-REITs are trust structures that provide security holders with an opportunity to invest in a vehicle that holds investments in property assets. As at 3 March 2016, the A-REIT Index had a market capitalisation of $109.4 billion and comprised 17 constituents. IOF and DEXUS' respective weightings in the index are 2.3% and 7.0%, respectively.

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 rental and other property income, quality of the individual properties and tenants, degree of diversification, lease expiry profile, level of gearing and quality of management. The relative risk of these elements will generally be reflected in the yield of the individual A-REITs.

A-REITs are often sector-specific, concentrating on a particular sector of the property market. A-REITs that invest across a range of property sectors are known as diversified A-REITs. The sectors within the property market and the type of properties within each are as follows:

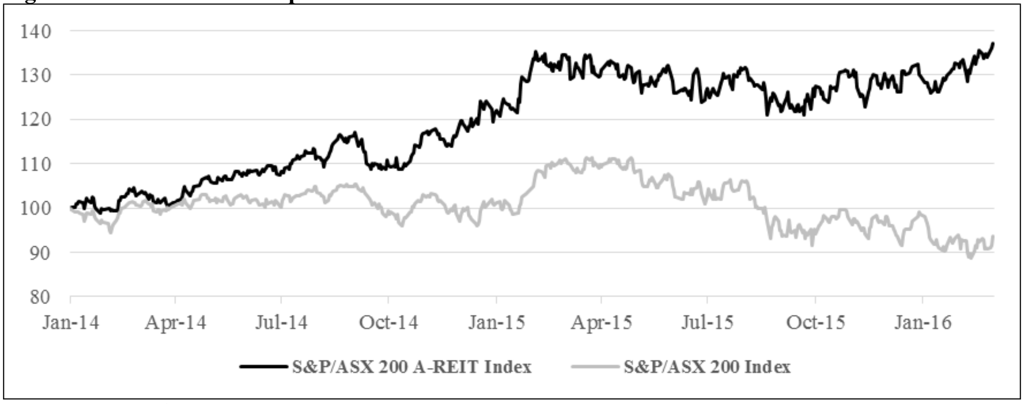
- Office: investment in office buildings and office parks
- Industrial: investment in industrial warehouse and distribution properties
- Residential: investment in residential properties including housing, apartments and student housing
- Retail: investment in shopping malls, outlet malls, neighbourhood 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 security holders through tax deferred distributions.

Historical performance

From 1 January 2014, the A-REIT Index has generally outperformed the broader share market as illustrated on the next page:

Figure 39: A-REIT relative performance



Source: S&P Capital IQ

Since January 2014, record low interest rates, tightening bond yields and volatile equity markets have resulted in inventors paying a premium to purchase higher yielding asset classes such as property and infrastructure. The outperformance of the A-REIT Index has been greatest since mid-2014 as the depreciation of the Australian dollar has increased the relative attractiveness of A-REITs to foreign investors. Other factors that have contributed to the re-rating of A-REITs has included press speculation of industry consolidation over this period and improved structures from internalisations.

Office property sector

The office property sector comprises entities engaged in the ownership and management of office property such as CBD, suburban and regional office buildings. The quality of office properties is distinguished by investment grade (i.e. premium, A, B grade).

Recent performance

The office property market in Australia has generally improved during the 2015 calendar year. It is estimated that in the 2015 calendar year, office space leased has increased by 8.0% and office market property transactions have increased by 5.0%.[45] Strong sector growth has predominantly resulted from significant demand for prime CBD assets in Melbourne and Sydney, while growth in other capital cities and regional markets has been relatively weak. Over the six months to 30 June 2015, vacancy rates in the Sydney CBD market declined by 1.3% to 6.3% while vacancy rates in Melbourne CBD market declined by 1.0% to 8.1%.[46] In contrast, oversupply in Brisbane, Adelaide, Perth and Canberra CBD markets and outer metropolitan areas has resulted in high vacancy levels. In particular, weakness in the mining sector has resulted in vacancy rates in Perth of 16.6% at 30 June 2015.[46]

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[45] Source: Colliers International, "Collier's International Office Demand Index: National Overview Q4 2015"
[46] Source: Colliers International, "CBD Office Research and Forecast Second Half 2015"

Outlook

Growth in white-collar employment, conversions of office to residential space and improving economic conditions are expected to support future revenue growth. IBISWorld[47] estimates office sector revenue will increase by 4.1% in the 2017 financial year, underpinned by employment growth in the Sydney and Melbourne markets while employment in other markets is expected to remain flat. Growth is expected to be moderate over the longer term. Over the next five years, average annual growth in white-collar employment of 1.6%[48] is expected to contribute to property sector revenue growth of 2.5%[47] per annum.

More recently, market commentators[49] have suggested that office valuations are at or are approaching a peak. Although the supply of office space in prime markets has been withdrawn as a result of residential conversions, there has been sustained increases in supply in the Sydney and Melbourne markets. Furthermore, underlying demand for stock remains volatile, with risks relating to slow GDP growth and expense minimisation in corporate clients. These factors are expected to limit capitalisation rate compressions going forward.

Investment demand

The strong yields, relative to bond and equity markets that have supported the office property sector over the past two years are expected to sustain higher investment in the industry. Interest in the sector from sovereign wealth funds such as CIC and the Government of Singapore Investment Corporation (GSIC), along with strengthening economic conditions and historically low borrowing rates are also expected to continue to support industry investment.

Office space demand

Vacancy rates in Sydney and Melbourne CBDs are expected to continue to decline, falling to 5.5% and 7.7% by 30 June 2016, respectively.[46] Demand is expected to come from expanding industries, such as technology and business services. Despite growth in Sydney and Melbourne, regional centres and capital cities linked to resources are expected to continue to weaken, with Perth and Brisbane vacancies estimated to deteriorate further until early 2017.

Industrial property sector

The industrial property sector comprises firms engaged 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, mineral and resource processing facilities and commercial buildings such as repair garages, mail sorting centres and petrol stations.

Recent performance

Sector revenue reached a trough in 2011-12 as a result of volatile business confidence and a weak manufacturing industry. In the three years to 2014-15, the sector experienced modest revenue growth (an

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[47] Source: IBISWorld, "Office Property Operators in Australia Industry Report", August 2015.
[48] Source: IBISWorld, "Total number of non-manual employees in the workforce", June 2015.
[49] For example: "Year of sold returns a hard act to follow: Property", Australian Financial Review, 29 December 2015; Credit Suisse broker report on DEXUS Property Group, 8 February 2015

average annual rate of 2.9% p.a.[50]). Nationally, industrial property yields have compressed steadily from a high of 8.4% in 2010-11 to around 7.5% in 2014-15.

Improved performance can be attributed to cheap and accessible credit along with improved business and consumer confidence. Confidence has improved particularly in markets such as Sydney, with the NSW economy performing strongly, underpinned by several infrastructure connections that are expected to improve industrial productivity. This combination of factors has driven demand for warehousing, transport and logistics facilities. In comparison to Sydney, the Melbourne industrial office market has been characterised by an over-supply of properties and this has resulted in rising vacancy rates for three successive years.

Outlook

It is estimated that over the next five years, stronger demand from strengthening employment levels, wage growth and generally positive business confidence will increase occupancy and rental rates and support further yield compression. The improving domestic economy and increased access to finance are expected to support investment in new capacity to meet rising import volumes and business inventory levels. As a result, revenue for the industrial property sector is expected to grow at an average annual rate of 2.7% p.a. over the five years to 2020-21.[30]

There are several key determinants that are expected to impact the industrial office market going forward. Such changes include the rise of e-commerce and the globalisation of logistics. The prevalence of e-commerce retailers utilising third-party logistics providers is likely to help drive demand for industrial properties. Along with an increase in third-party logistics services, the globalisation of logistics is expected to drive considerable growth in the demand for industrial floor space. The globalisation of logistics and its impact on the demand for warehousing, transport and logistics facilities is highlighted by recent transactions such as Japan Post's acquisition of Toll Group and the proposed acquisition of Asciano by Brookfield and the competing bid from Qube and its consortium partners.

Vacancy rates are forecast to remain low in Sydney and Melbourne. The strong tenant demand is being driven by growth in non-mining sectors such as retail trade, construction as well as transportation and storage sectors.

Retail property sector

The retail property sector comprises firms engaging in the ownership and management of retail real estate assets, primarily shopping centres.

Recent performance

The retail property market is experiencing sluggish revenue growth, estimated at 4.2% in 2014-15 and 2.1% in 2015-16.[51] The sector has been negatively impacted by low retail store sales as a result of weak business confidence and the growth of online shopping. However, infrastructure investment, together with lower fuel prices and historically low interest rates has led to improved consumer confidence. This confidence

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[50] Source: IBISWorld, "Industrial and other Property Operators in Australia Industry Report", August 2015.
[51] Source: IBISWorld, "Retail Property Operators in Australia Industry Report", dated August 2015.

has led to lower vacancy levels in the retail property sector, falling in the Sydney and Melbourne markets to 3.3%[52] and 3.2%[53] respectively.

Outlook

It is estimated that sector revenue will grow at 2.8% p.a. during the five years to 2020-21.[51] A lower Australian dollar, lower fuel prices, stabilisation of the labour market and improving consumer confidence are expected to result in an increase in discretionary spending and, ultimately, greater retail lease income. The growing number of international tenants is expected to create additional demand for retail property assets, particularly in CBD markets, and support prime retail yields.

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[52] Source: Knight Frank, "Sydney CBD Retail Market Brief", August 2015.

[53] Source: Knight Frank, "Melbourne CBD Retail Market Brief", August 2015.

Appendix 4 – Market evidence

Comparable companies

The following table sets out the market metrics for the comparable companies, as at the latest reporting date.

Table 41: Comparable Companies analysis

	Management basis	Market on ($ million)	Premium (discount) to NTA (%)	Book gearing	3 year Distribution CAGR	Dividend yield			FFO multiple		
						FY15	FY16	FY17	FY15	FY16	FY17
DEXUS Property Group (Combined)[1]	I	7434	6.4%	53.4%	na	na	5.2%	na	na	13.8	na
Office REITs											
Investa Office Fund[2]	E	2352	(2.0%)	45.0%	2.0%	5.0%	5.1%	5.2%	13.8	13.4	12.7
Cromwell Property Group	I	1785	39.7%	60.7%	3.0%	7.8%	7.9%	8.1%	12.7	11.0	10.8
GDI Property Group	I	461	(13.6%)	40.4%	2.6%	8.6%	8.4%	8.9%	9.9	na	na
Brookfield Prime Property[3]	E	267	(30.6%)	72.3%	na	na	na	na	na	na	na
360 Capital Office Fund	E	144	(6.9%)	23.6%	0.0%	8.1%	8.6%	8.7%	na	na	na
Diversified REITs											
Stockland Group	I	10087	9.8%	36.6%	3.7%	5.9%	5.8%	6.0%	15.4	13.7	12.5
GPT Group	I	8985	19.9%	39.7%	3.8%	5.1%	4.6%	4.9%	17.9	17.3	16.8
DEXUS Property Group[2]	I	7405	6.3%	44.3%	2.8%	5.4%	5.7%	5.7%	13.6	13.4	13.2
Mirvac Group	I	7008	3.6%	47.0%	6.8%	5.1%	5.2%	5.4%	14.4	14.1	13.2
Charter Hall Group	I	1899	54.4%	(4.7%)	6.1%	5.4%	5.7%	5.9%	18.8	15.4	15.1
Growthpoint Properties	I	1779	17.3%	65.2%	na	6.3%	6.8%	6.9%	na	na	na
Abacus Property Group	I	1681	18.9%	46.1%	1.9%	5.8%	5.7%	5.9%	13.8	na	na
Retail REITs											
Scentre Group	I	23693	42.9%	69.1%	5.4%	2.7%	4.7%	5.0%	19.9	19.5	18.8
Vicinity Centres Re Ltd	I	12509	24.4%	43.4%	6.7%	5.8%	5.6%	5.8%	18.7	17.0	16.5
Charter Hall Retail REIT	E	1791	18.4%	51.1%	2.4%	6.5%	6.3%	6.5%	16.2	15.1	14.5
Shopping Centres Group	I	1679	23.8%	56.3%	3.4%	5.4%	5.3%	5.5%	21.0	17.1	16.6
Industrial REITs											
Goodman Group	I	11950	72.3%	27.8%	5.5%	3.4%	3.5%	3.7%	18.1	16.9	15.8
BWP Trust	E	2133	31.7%	28.7%	3.6%	5.1%	5.0%	5.2%	21.0	19.8	19.0
360 Capital Industrial	E	524	12.3%	80.6%	na	8.4%	8.7%	8.7%	na	na	na
Industria REIT	E	258	(0.5%)	54.1%	5.5%	9.0%	7.4%	7.9%	12.1	12.5	11.6
Low			**(30.6%)**	**(4.7%)**	**0.0%**	**2.7%**	**3.5%**	**3.7%**	**9.9**	**11.0**	**10.8**
High			**72.3%**	**80.6%**	**6.8%**	**9.0%**	**8.7%**	**8.9%**	**21.0**	**19.8**	**19.0**
Mean			**17.1%**	**46.4%**	**3.8%**	**6.0%**	**6.1%**	**6.3%**	**16.1**	**15.5**	**14.8**
Median			**17.9%**	**45.5%**	**3.6%**	**5.8%**	**5.7%**	**5.9%**	**15.8**	**15.3**	**14.8**

Source: *S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis*

Note 1: *DEXUS Property Group (Merged Group) has been prepared with reference to the Half-year financial results released on 17 February2016*

Note 2: *Investa Office Fund and Dexus Property Group have been prepared on a standalone basis, with financial data released as at 4 December 2015, the last trading day prior to the announcement. NTA for Investa Office Fund and Dexus Property Group have been calculated as at 4 December 2015, having regard to valuation updates, transactions and share buybacks*

Note 3: *Brookfield Prime Property is not covered by traditional brokers, and its FY15 dividend was abnormally high as a result of asset divestments. It also trades at a material discount to NTA as the NTA figure has not yet been updated for the divestments undertaken in FY16*

Note 4: *"I" denotes internally managed REITs, while "E" denotes externally managed REITs*

Office REITs

Cromwell Property Group

Cromwell Property Group (Cromwell) is an internally managed office A-REIT. At 31 December 2015, it had a $2.2 billion investment property portfolio and $9.8 billion in properties managed on behalf of third parties. Cromwell's investment portfolio comprises 98% office properties. Properties are located throughout Australia, including NSW (44.6%), Queensland (25.6%), the ACT (22.5%), and Victoria (7.3%). As at 31 December 2015, the investment portfolio had average occupancy of 94% and a WALE of 5.7 years. Cromwell's substantial premium to NTA reflects the value attributed to its third party funds management activities, relative to its investment property portfolio. Cromwell's security price has underperformed the broader A-REIT Index since early 2014 as a result of limited NTA growth throughout the period, predominantly as a result of devaluations of the Vodaphone, Tunggeranong and TGA Complex.

GDI Property Group Limited

GDI Property Group Limited (GDI) is an internally managed office A-REIT. At 31 December 2015, it has over $1.2 billion in AUM, including a $736 million investment property portfolio and $380 million of third party funds. GDI's investment portfolio comprises two A-Grade properties and three B-Grade properties in CBD locations in Sydney, Adelaide, Brisbane and Perth that have an average occupancy of 88% and WALE of 3.4 years. GDI is trading at a substantial discount to NTA, reflecting weak market conditions in portions of the portfolio. Perth (46% of the portfolio) has been significantly impacted by the end of the mining boom and as a result the building remains vacant and management are exploring opportunities for alternate use of the property. Brisbane (17% of the portfolio) has also been influenced by the end of the mining boom and remains only 73% occupied.

Brookfield Prime Property Fund

Brookfield Prime Property Fund (Brookfield Prime) is an office A-REIT that is externally managed by Brookfield Capital Management Limited (Brookfield Management), a wholly owned subsidiary of Brookfield Australian Investment Limited. As at 31 December 2015, Brookfield Prime's assets were independently valued at $623 million and comprised five office properties in Sydney (73%) and Perth (27%). On 18 December 2015, Brookfield Management announced the sale of Brookfield Prime's 25% interest in Southern Cross East and 50% interest in Southern Cross West, Melbourne and payment of a special distribution. As a result, the dividend yield has not been included in the table of comparable companies. Brookfield Prime is not presently covered by traditional brokers, and for this reason no forecast yields and FFO multiples have been included. As at 31 December 2015, Brookfield Prime had an average occupancy of 96% and a WALE of 4.5 years.

360 Capital Office Fund

360 Capital Office Fund (360 Office) is an office A-REIT that is externally managed by 360 Capital Group Limited (360 Capital). As at 31 December 2015, the investment portfolio was valued at $196.1 million and included two A-Grade properties and two B-Grade Properties located in Queensland (75%) and Victoria (25%). The portfolio had an average WALE of 5.1 years and average occupancy of 98.7%. 360 Office trades at a discount to NTA, likely reflecting its exposure to the Queensland property market, external management structure and relatively low investment grade of the properties.

Diversified REIT's

Stockland Corporation Limited

Stockland Corporation Limited (Stockland) is an internally managed A-REIT that is engaged in investment, management and development of properties across a range of sectors. As at 31 December 2015, Stockland's $9.2 billion investment portfolio was diversified across retail (71%), logistics and business parks (20%) and office (8%) properties. As at 31 December 2015, the Stockland portfolio was geographically diverse, with assets in NSW (50%), Queensland (23%), Victoria (16%), Western Australia (9%) and South Australia & ACT (2%), and had average occupancy of 98.1% and a WALE of 4.8 years. Stockland is Australia's largest residential property developer and has 47 communities and 103,400 lots released to the market as at 31 December 2015. It has divested some of its retirement and aged care property management business, however, still holds investments in the aged care sector, including 69 established villages and 9,400 lots. Its premium to NTA reflects the value attributed to its extensive residential development activities.

GPT Group

GPT Group (GPT) is an internally managed diversified A-REIT. It manages $20.1 billion of assets including a $10.1 billion investment property portfolio and $10.0 billion in third party funds. GPT's investment portfolio includes retail (50%), office (37%) and logistics (13%) properties. As at 31 December 2015, the office portfolio was located in NSW (55%), Victoria (33%) and Queensland (12%) and had average occupancy of 95.3% and a WALE of 5.3 years. GPT's third party funds include the $5.8 billion GPT wholesale fund, $3.8 billion GPT wholesale shopping centre fund and $0.4 billion GPT metro office fund. Following a fund recapitalisation in October 2014, GPT's largest investor is the Government of Singapore Investment Corporation (GSIC). GPT trades at a substantial premium to NTA, likely reflecting its extensive third party funds management activities and development pipeline.

Mirvac

Mirvac Group (Mirvac) is an internally managed diversified A-REIT. Mirvac has $7.8 billion in funds under management including a $7.1 billion investment portfolio and $0.7 billion of development assets managed on behalf of third parties. Mirvac's investment portfolio includes office (58%), retail (30%) and other properties (12%). The office portfolio mainly includes high quality assets, including 26% premium office properties, 68% A-Grade properties, 4% B-Grade properties and 2% C-Grade properties. The office portfolio is also geographically diverse, with properties in NSW (53%), VIC (26%), ACT (8%), WA (10%) and QLD (3%). As at 31 December 2015, the investment portfolio had average occupancy of 97.0% and a WALE of 5.6 years. Development activities generated 55.0% of revenue in the half year to 31 December 2015.

Charter Hall Group

Charter Hall Group (Charter Hall) is an internally managed diversified A-REIT. At 31 December 2015, Charter Hall had a $1.1 billion in direct investment holdings and $15.9 billion in funds under management. Its direct investments comprised properties in the office (35%), retail (30%), industrial (23%) and hospitality (12%) sectors. As at 30 June 2015, Charter Hall's properties were located in NSW (37%), Queensland (20%), Victoria (17%), Western Australia (14%), South Australia (5%), Tasmania (5%) and the ACT (2%). At 31 December 2015, the investment portfolio had a WALE of 8.8 years, capitalisation rate of 6.6% and occupancy of 98%. Charter Hall trades at a substantial premium to NTA, reflecting the value attributed to its extensive third party funds management business.

Growthpoint Properties Australia

Growthpoint Properties Australia (Growthpoint) is an internally managed diversified A-REIT. Its $2.6 billion property portfolio comprises 57 properties in the office (53%) and industrial (47%) sectors. As at 31 December 2015, the portfolio had an average occupancy of 97% and a WALE of 6.6 years. Growthpoint's properties are located in Victoria (31%), Queensland (28%), NSW (21%), South Australia (7%), Western Australia (6%), the ACT (6%) and Tasmania (1%). Growthpoint's substantial premium to NTA likely reflects its high payout ratio and book gearing relative to its peers.

Abacus Property Group

Abacus Property Group (Abacus) is an internally managed diversified A-REIT with over $2.2 billion in AUM, including a $1.5 billion investment property portfolio and $0.6 billion in third party funds. The investment property portfolio comprises commercial properties (66%) and storage property assets (34%) while third party funds are primarily in the retail sector. As at 31 December 2015, Abacus' property included assets were located in NSW (30%), Victoria (28%), Queensland (20%), the ACT (10%), South Australia (5%) and New Zealand (7%). The investment portfolio had an average occupancy of 93.5% and a WALE of 4.1 years. Abacus' third party funds includes $449.6 million in development and financing projects classified as 'property ventures'. The substantial premium to NTA likely reflects the extent of the group's third party funds management activities and extensive development pipeline.

Retail REITS

Scentre Group

Scentre Group (Scentre) is an internally managed retail A-REIT that was created on 30 June 2014 through the merger of Westfield Retail Trust and Westfield Group's Australian and New Zealand management business. As at 31 December 2015, Scentre owned 40 properties valued at over $42.1 billion. The assets are primarily Australian based (96%) and are located in NSW (52%), Victoria (15%), Queensland (15%), Western Australia (6%), the ACT (4%) and South Australia (4%), and New Zealand (4%). Average occupancy is 99.5%, which represents the strong market presence that Scentre occupies in the Australian market.

Vicinity Centres Group

Vicinity Centres Group (Vicinity) is an internally managed retail A-REIT, created from the merger of Federation Centres Group and Novion Property Group in June 2015. As at 31 December 2015, Vicinity had over $23.5 billion of AUM, including $8.0 billion of wholly owned properties, $7.0 billion of co-owned properties and a further $8.5 billion in third party funds. The direct ownership portfolio comprises 85 properties, including 57 wholly owned properties and 28 properties that are co-owned with other parties. Vicinity has a WALE of 5.8 years and a current occupancy rate of 99.2%.

Charter Hall Retail REIT

Charter Hall Retail REIT (Charter Hall Retail) is a retail A-REIT that is externally managed by Charter Hall Retail Management Limited. As at 31 December 2015, Charter Hall Retail REIT's investment portfolio comprised 76 centres across sub-regional, neighbourhood and freestanding supermarkets, independently valued at $2.5 billion. Charter Hall Retail is geographically dispersed, with a portfolio of assets in NSW (42)%, Queensland (20)%, Western Australia (15)%, Victoria (11)%, South Australia (6)%, the ACT (4)% Northern Territory (1%) and Tasmania (1)%. As at 31 December 2015, the portfolio had average occupancy of 98.4% and a WALE of 6.7 years.

Shopping Centres Australasia Property Group

Shopping Centres Australasia Property Group (SCA) is an internally managed retail REIT. SCA owns and operates 81 shopping centres that were independently valued at $2.1 billion on 31 December 2015. The portfolio had an average occupancy of 98.7% and a WALE of 11.8 years, which is predominantly a result of the significant proportion of long lived retail leases, including Woolworths supermarkets (43% of rental revenue). The properties are geographically dispersed throughout Australia (89% of properties by value) and are also located in New Zealand (11%).

Industrial REITS

Goodman Group

Goodman Group (Goodman) is an internally managed industrial A-REIT. As at 31 December 2015, Goodman manages third party funds, valued at $26.1 billion AUM and had a direct interest in $3.0 billion investment portfolio. It manages 359 prime industrial and business space properties in 16 countries and held direct interests in 33 properties. At 31 December 2015, the investment portfolio had overall occupancy of 96% and customer retention of 74%. Goodman also undertakes property development activities. As at 31 December 2015, it had $3.4 billion development pipeline comprising 72 properties across 11 countries. The substantial premium to NTA likely reflects the extent of its third party funds management activities and development pipeline.

BWP Trust

BWP Trust (BWP) is an A-REIT that invests in large format commercial properties predominantly leased to The Bunnings Group Limited (Bunnings). BWP is externally managed by BWP Management Limited (BWP Management). BWP Management and Bunning Group Limited are wholly owned subsidiaries of Wesfarmers Limited. BWP owns 82 properties, of which 80 locations are Bunnings Warehouse sites, and adjacent properties. The fund also owns a fully leased standalone showroom and an industrial property. As at 31 December 2015, BWP had a portfolio independently valued at $2.16 billion, with an occupancy of 100% and a 6.4 year WALE. BWP consistently trades at a premium to NTA, reflecting the relative surety of tenant occupancy and strong growth profile of Bunnings.

360 Capital Industrial Fund

360 Capital Industrial Fund (360 Industrial) is an industrial A-REIT that is externally managed by 360 Capital. On 2 December 2015, 360 Industrial merged with the Australian Industrial REIT, to create a combined group with a portfolio value of $867 million, 37 properties, a WALE of 4.9 years and 99.4% occupancy as at 31 December 2015. The portfolio of assets is located in NSW (44%), VIC (25%), QLD (19%), Western Australia (10%), the ACT (2%) and South Australia (1%).

Industria REIT

Industria REIT (Industria) is an A-REIT that holds interests in 17 industrial and business park properties across Australia. Industria is externally managed by APN Funds Management, a wholly owned subsidiary of APN Property Group. Industria's $418.1 million investment portfolio is located in Queensland (40.8%), NSW (34.6%), Victoria (21.5%) and South Australia (3.1%). As at 31 December 2015, the portfolio had an average occupancy (by area) of 94.9% and a WALE of 5.3 years.

Comparable transactions

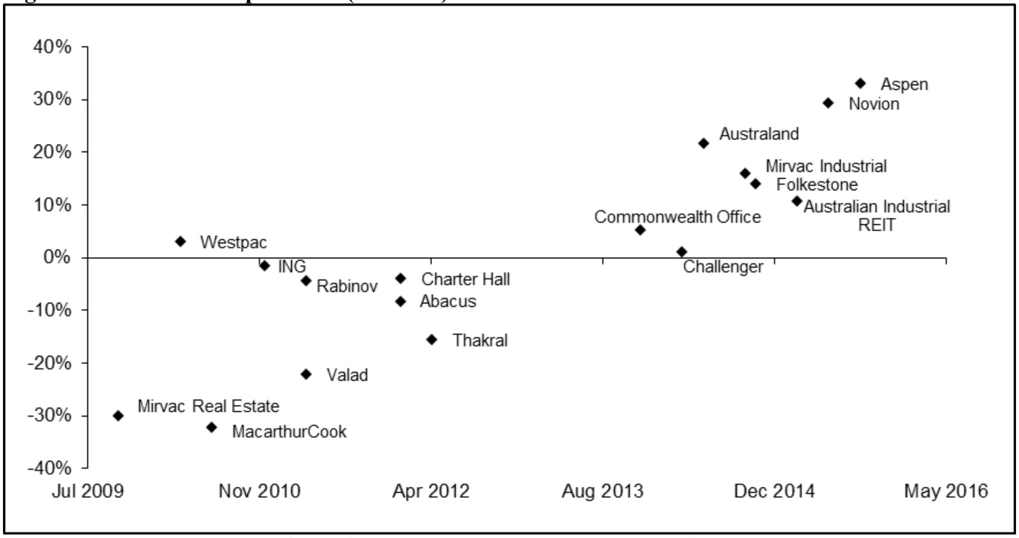
The following table sets out a summary of transactions that have taken place since 2009 involving A-REITs.

Table 42: Comparable Transaction analysis

Announcement date	Transaction	Internally/ externally managed	Consideration ($ million)	Premium/ (discount) to NTA[1]	Exit yield[2]		Premium/ (discount) to VWAP[3]
					Historical	Forecast	
Sep 2015	The Aspen Group	E	149.8	33.0%	6.3%	6.3%	na
Jun 2015	Novion Property Group	I	8,045.5	29.4%	5.3%	5.4%	15.7%
Mar 2015	Australian Industrial REIT	E	203.3	10.8%	8.3%	8.7%	6.9%
Nov 2014	Folkestone Social Infrastructure	E	70.2	14.0%	6.5%	6.1%	15.4%
Oct 2014	Mirvac Industrial Trust	E	77.6	16.1%	na	na	22.8%
Jun 2014	Australand Property Group	I	2,606.5	21.7%	4.7%	na	14.6%
Apr 2014	Challenger Diversified Property	E	586.6	1.1%	6.7%	6.8%	6.4%
Dec 2013	Commonwealth Property Office Fund	E	2,910.0	5.2%	5.3%	5.0%	14.8%
Apr 2012	Thakral Holdings Ltd	I	507.0	(15.6%)	na	na	32.3%
Jan 2012	Charter Hall Office REIT	E	1,228.4	(3.9%)	na	5.3-6.5%	22.9%
Jan 2012	Abacus Storage Fund	I	132.0	(8.2%)	7.4%	na	n/a
Apr 2011	Valad Property Group	I	209.0	(22.1%)	na	na	52.0%
Apr 2011	Rabinov Property Trust	E	50.0	(4.3%)	10.0%	8.6%	35.8%
Dec 2010	ING Industrial Fund	E	1,395.0	(1.5%)	3.0%	6.0%	11.9%
Jul 2010	MacarthurCook Industrial Fund	E	43.3	(32.1%)	4.1%	4.1%	46.7%
Apr 2010	Westpac Office Trust	E	417.0	3.1%	7.7%	7.7%	14.2%
Oct 2009	Mirvac Real Estate Trust	E	373.0	(29.9%)	5.5%	5.5%	56.0%
Low			**43.3**	**(32.1%)**	**3.0%**	**4.1%**	**6.4%**
High			**8,045.5**	**33.0%**	**10.0%**	**8.7%**	**56.0%**
Mean			**1,117.9**	**1.0%**	**6.2%**	**6.3%**	**24.6%**
Median			**373.0**	**1.1%**	**6.3%**	**6.1%**	**15.7%**

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis
Note 1: Dividend yield forecasts are based on broker consensus forecast available from S&P Capital IQ, management disclosures and forecasts, and other publically announced information
Note 2: NTA from the last financial report for each target entity
Note 3: One month VWAP prior to the announcement of the transaction or notable corporate activity.
Note 4: "I" denotes internally managed REITs, while "E" denotes externally managed REITs

Figure 40: Transaction premium/(discount) to NTA distribution over time



Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

Acquisition of Aspen Parks Property Fund by Discovery Parks Group

On 14 September 2015, Aspen Group and Aspen Parks Property Fund (Aspen Parks) announced that they had entered into a merger implementation deed whereby the two entities would merge to create a quadruple stapled group in a cash and scrip transaction. Subsequent to this offer, Discovery Parks Group made two unsolicited takeover offers for the fund. On 23 December 2015, Discovery Parks Group had received acceptances from 90% of the unit holders. Aspen Parks owns 26 holiday parks, valued at $190 million, including caravan parks, cabins, camping and self-contained facilities. The significant premium to NTA likely reflects the competitive bidding process and the positive re-rating of A-REITs during this period.

Merger of Novion Property Group and Federation Centres

On 3 February 2015, Novion Property Group (Novion) announced its intention to enter into a merger implementation agreement with Federation Centres. Pursuant to the deal Novion security holders would own 64 percent of the merged entity following the transaction. Novion is an internally managed retail property group listed on the ASX. It is a stapled entity comprising Novion Limited and Novion Trust and had $14.9 billion of retail AUM, including a $9.1 billion investment portfolio and $5.7 billion of third party funds management. The transaction occurred at a material premium to NTA, reflecting the extent of Novion's third party funds management activities and positive rerating of A-REITs at this time.

Acquisition of Australian Industrial REIT by 360 Capital Industrial Fund

On 18 December 2014, Fife Capital Funds Limited (Fife Capital), the responsible entity for Australian Industrial REIT (ANI) announced that it had received an unsolicited, indicative and non-binding proposal from 360 Capital, as the responsible entity for 360 Capital Industrial Fund (360 Industrial), to acquire 100% of the units in ANI by way of a trust scheme. On 19 December 2014, 360 Capital announced an unsolicited off-market takeover offer for ANI for consideration of 0.89 units in 360 Industrial Fund plus 3 cents for each ANI unit if before the end of the offer period a member of 360 Capital Group is appointed responsible entity of ANI or in excess of 50% of ANI unitholders accept the offer. On 24 March 2015, the offer was increased to 0.9 units in 360 Industrial Fund plus 4.5 cents for each ANI unit plus 10 cents cash if before the end of the offer period a member of 360 Capital Group is appointed responsible entity of ANI or in excess of 50% of ANI unitholders accept the offer. As at 31 December 2014, ANI held a portfolio of 16 industrial properties with a combined carrying value of $320.4 million. The substantial premium to NTA reflects the revised terms of the offer and rerating of the A-REIT sector over this period.

Acquisition of Folkestone Social Infrastructure Trust with Folkestone Education Trust

On 13 November 2014, Folkestone Real Estate Management Limited, in its capacity as responsible entity of Folkestone Social Infrastructure Trust (FST), announced a merger by way of a trust scheme that would result in Folkestone Education Trust (FET) acquiring 100% of the units in FST. The offer consideration included a cash component of $0.675 per FST unit held and 1.32 securities in FET for every one FST unit held. FST primarily invests in properties within the early education, government and healthcare sectors. As at 30 June 2014, FST reported $116.1 million in total assets.

Acquisition of Mirvac Industrial Trust by AustFunding Pty Limited

On 19 September 2014, Mirvac Funds Management Limited (MFML), the responsible entity of Mirvac Industrial Trust (MIX) announced that it had agreed to a transaction whereby AustFunding Pty Limited would acquire all of the units of MIX in a cash transaction via a trust scheme. The principal activity of MIX is the ownership of an industrial property portfolio in the greater Chicago metropolitan region in the US. As at 30 June 2014, MIX held gross assets of $192.0 million.

Acquisition of Australand Property Group by Frasers Centrepoint Limited

On 4 June 2014, Australand Property Group (Australand) received a conditional proposal from Frasers Centrepoint Limited (Frasers) for the acquisition of all of Australand's securities. The offer consideration was $4.48 per security for a total of $2.6 billion. Australand is a diversified REIT that is involved in property investment and development, property trust management and property management. Its primary focus is around commercial and industrial sectors with some focus on residential development. Australand's property investment division was comprised of 68 industrial and office assets located mostly in Melbourne, Sydney and Brisbane. The significant premium to NTA likely reflects Australand's significant development pipeline as well as the competitive bidding process.

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 and CPPIB

On 11 December 2013, DEXUS, in conjunction with CPPIB, announced its intention to make a conditional off-market takeover offer for all of the outstanding units in 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. CPA's property portfolio comprised 13% premium grade property assets and 76% A Grade properties. The transaction followed a competitive bidding process by DEXUS and The GPT Group (GPT). CPA had a WALE of 4.7 years and an occupancy of 95.6%.

Acquisition of Thakral Holdings Limited by Brookfield Asset Management Inc.

On 19 April 2012, Brookfield Asset Management Inc. (Brookfield) announced a takeover offer of Thakral Holdings Limited (Thakral) 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 directors unanimously recommended that shareholders 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. The office portfolio was predominantly high grade assets, with 63% Premium properties and 34% A Grade assets. The portfolio had a WALE of 4.5 years, and an occupancy of 97% and a WACR of 7.8%.

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 a 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%). Valad was highly geared and had not paid a distribution since 2008.

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 concentrated in Victoria (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 a 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 7.4%. 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 – Glossary

Abbreviation	Description
AFFO	"Adjusted funds from operations" calculated in line with the Property Council of Australia's definition and comprises FFO and adjusted for: maintenance capex, incentives (including rent free incentives) given to tenants during the period and other items which have not been adjusted in determining FFO.
AFSL	Australian Financial Services Licence issued by ASIC under section 913B of the Corporations Act
AIP	Australian Industrial Partnership, a fund managed by DEXUS
AJO Fund	Armstrong Jones Office Fund (ARSN 090 242 229).
APESB	Accounting Professional & Ethical Standards Board
A-REIT	Australian Real Estate Investment Trust
A-REIT Index	S&P/ASX 200 A-REIT (Sector) Index
A-REIT Office Index, or Office A-REIT Index	S&P/ ASX200 A-REIT Office Index
ABS	Australian Bureau of Statistics
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ACN 008 624 691 or, as the context requires, the financial market known as the Australian Securities Exchange operated by it
ATO	Australian Taxation Office
AUM	Assets Under Management
CBD	Central Business District
CIC	China Investment Corporation
Constitutions	The constitutions of the Trusts
Corporations Act, the Act	The *Corporations Act 2001* (Cth)
CPA	Commonwealth Property Office Fund
CPPIB	Canada Pension Plan Investment Board
cpu	cents per unit
DCF	Discounted cash flow
DDF	DEXUS Diversified Trust
DEXUS	DEXUS Property Group including DEXUS RE, DDF, DIT, DOT, DXO and their Controlled Entities collectively
DEXUS RE	DEXUS Funds Management Limited (ABN 24 060 920 783) in its capacity as responsible entity of DDF, DIT, DOT and DXO collectively.
DEXUS Securities	A stapled security consisting of one unit in DIT, DOT, DXO and DDF
Directors	Directors of ILFML, the Responsible Entity of IOF
DIT	DEXUS Industrial Trust
DOF	Dutch Office Fund
DOT	DEXUS Office Trust (ARSN 090 768 531)
DPU	Distributions per unit

Abbreviation	**Description**
DRP	Distribution Reinvestment Plan
DWPF	DEXUS Wholesale Property Fund
DWPL	DEXUS Wholesale Property Limited (ABN 47 006 036 442)
DXO	DEXUS Operations Trust
EBIT	Earnings before interest and tax
Explanatory Memorandum	Notice of Meeting and Explanatory Memorandum
EPS	Earnings per share
FFO	"Funds from operations" calculated in a manner that is consistent with the methodology for the calculation of "funds from operations" in financial statements for the relevant entity for the 12 months ended 30 June 2015. For the avoidance of doubt, in relation to the IOF, it will be calculated without deducting any costs incurred in connection with the Proposal
FSG	Financial Services Guide
GSIC	Government of Singapore Investment Corporation
IA	Implementation Agreement dated 18 December 2015 between ILFML and DEXUS RE
IAMPL	Investa Asset Management Pty Ltd
IAMPL - QLD	Investa Asset Management (QLD) Pty Ltd
IBC	the independent board committee established by the ILFML Board and which has considered the Proposal and consisting of Deborah Page, Peter Dodd and Peter Rowe
ICPF	Investa Commercial Property Fund
IER	Independent Expert's Report
ILFML	Investa Listed Funds Management Limited (ACN 149 175 655) in its capacity as responsible entity of IOF or any replacement of it from time to time
Implementation Date	the date that the Proposal is implemented, being the fifth Business Day following the Record Date or such other date as ILFML and DEXUS RE agree in writing (expected to be 29 April 2016).
Independent Directors	the members of the independent board committee established by the ILFML Board and which has considered the Proposal and consisting at the date of this document of Deborah Page, Peter Dodd and Peter Rowe.
Investa or The Manager	Investa Office, or the manager of IOF
IOF or the Fund	Investa Office Fund, which comprises of the AJO Fund and the PCP Trust
IOF Unit	a stapled security in IOF consisting of one unit in the AJO Fund and one unit in the PCP Trust
IOF Unitholder	each person who is registered as the holder of an IOF Unit in the IOF Register (at the relevant time)
IOM	Investa Office Management Pty Ltd (ACN 161 354 016)
IOMH	Investa Office Management Holdings Pty Limited

Abbreviation	Description
IPG or Investa Property Group	Investa Property Group (which comprises Investa Office, comprising the Investa Property Trust portfolio and the Investa Office Management Platform and Investa Land)
IPGH	Investa Property Group Holdings Pty Limited (ACN 125 612 419)
IPT	Investa Property Trust
ISDA	International swaps and derivative associations
IWFML	Investa Wholesale Funds Management Limited
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
Mercantile Mutual	Mercantile Mutual Holdings Limited
Merged Group	DEXUS Property Group and its Controlled Entities, immediately after implementation of the Proposal (which, for the avoidance of doubt, will include IOF)
Morgan Stanley	Morgan Stanley Real Estate Investing
MSREF VI	MSREF VI Holdings Cooperatief U.A.
MTN	Medium term notes
NPI	Net property income on a cash basis
NPV	Net present value
NTA	Net tangible asset value
PCA	Property Council of Australia
PCP Trust	Prime Credit Property Trust (ARSN 089 849 196)
PMA	Property Management Agreements
The Proposal	'DEXUS' proposal to acquire all outstanding units in IOF
REIT	Real estate investment trust
REO	Real Estate Operations arm of IOM
RES	Real Estate Services arm of IOM
RG 111	Regulatory Guide 111 'Content of expert reports'
Trusts	The collective term for AJO Fund and PCP Trust
USPP	US Private Placements
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WALE	Weighted average lease expiry

KPMG Corporate Finance
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PART TWO – FINANCIAL SERVICES GUIDE

Dated 8 March 2016

What is a Financial Services Guide (FSG)?

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

This FSG includes information about:

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

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

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

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

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

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

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.

The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

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

KPMG Corporate Finance has been engaged by ILFML (Client) to provide general financial product advice in the form of a Report to be included in the Notice of Meeting and Explanatory Memorandum (**Document**) prepared by the Client in relation to the proposed acquisition by DEXUS of all the issued securities of IOF (**Proposal**).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

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

General Advice

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

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

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

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

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance $650,000 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 directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of advisory services to a related party of the Client, ILFML, for which professional fees are received. Over the past two years professional fees of $475,765 have been received from ILFML. None of those services have related to the transaction or alternatives to the transaction.

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

Complaints resolution

Internal complaints resolution process

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

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

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au 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

Ian Jedlin and Sean Collins
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7000

Attachment 3

INVESTIGATING ACCOUNTANT'S REPORT

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

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

8 March 2016

Dear Directors

Independent Limited Assurance Report and Financial Services Guide

We have been engaged by Investa Listed Funds Management Limited as responsible entity of Investa Office Fund (consisting of Armstrong Jones Office Fund and Prime Credit Property Trust) (**IOF**) and DEXUS Funds Management Limited as responsible entity of DEXUS Diversified Trust, DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust (**DEXUS**) to report on the consolidated statements of financial position of IOF and DEXUS and the pro forma consolidated statement of financial position of the Merged Group as at 31 December 2015 and the forecast underlying funds from operations of IOF and DEXUS and the pro forma forecast underlying funds from operations of the Merged Group for the year ending 30 June 2016 for inclusion in the Explanatory Memorandum dated on or about 9 March 2016.

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

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

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

Scope

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

Historical Financial Information

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

together the **Historical Financial Information.**

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

Pro Forma Historical Financial Information

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

The Pro Forma Historical Financial Information has been derived from the historical financial information of IOF and DEXUS, after adjusting for the effects of pro forma adjustments described in section 10.2 of the Explanatory Memorandum. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the adopted accounting policies of IOF and DEXUS applied to the Pro Forma Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 10.3 of the Explanatory Memorandum, as if those event(s) or transaction(s) had occurred as at the date of the Pro Forma Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Merged Group's actual or prospective financial position as at 31 December 2015.

Forecasts

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

together the **Forecasts.**

The directors' best-estimate assumptions underlying the Forecasts are described in section 10 of the Explanatory Memorandum. The stated basis of preparation used in the preparation of the Forecasts being the recognition and measurement principles contained in Australian Accounting Standards and accounting policies adopted by IOF and DEXUS, other than it includes adjustments as described in section 10.3 of the Explanatory Memorandum.

Pro Forma Forecast

- the Pro Forma Forecast Underlying Funds From Operations of the Merged Group for the year ended 30 June 2016 described in section 10.3 of the Explanatory Memorandum (**Pro Forma Forecast**)

The Pro Forma Forecast has been derived from IOF's and DEXUS's individual Forecasts, after adjusting for the effects of the pro forma adjustments described in section 10.3 of the Explanatory Memorandum. The stated basis of preparation used in the preparation of the Pro Forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the Pro Forma Forecast and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 10.3 of the Explanatory Memorandum, as if those event(s) or transaction(s) had occurred as at 1 July 2015. Due to its nature, the Pro Forma Forecast does not represent the Merged Group's actual or prospective financial performance and cash flows for the year ending 30 June 2016.

Responsibility for Information

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

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

As described in the Responsibility Statement set out in the Disclaimer and Important Notices section of the Explanatory Memorandum, the directors of DEXUS Funds Management Limited are responsible for preparation of the Pro Forma Historical Financial Information regarding the Merged Group, including its basis of preparation, and the preparation of the Pro Forma Forecast regarding the Merged Group, including its basis of preparation and the best-estimate assumptions underlying the Pro Forma Forecast, other than to the extent that Investa Listed Funds Management Limited has provided the financial information concerning IOF that is included in the Pro Forma Historical

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

Our responsibility

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

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

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

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in section 10.2 of the Explanatory Memorandum, and comprising the Consolidated Statements of Financial Position of each of IOF and DEXUS as at 31 December 2015 is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 10.2 of the Explanatory Memorandum being the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted by IOF and DEXUS.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in section 10.2 of the Explanatory Memorandum, and comprising the Pro Forma Consolidated Statement of Financial Position of the Merged Group as at 31 December 2015 is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 10.2 of the Explanatory Memorandum being the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies adopted by IOF and DEXUS applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 10.3 of the Explanatory Memorandum, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information.

Forecasts

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

- the directors' best-estimate assumptions used in the preparation of the forecast underlying funds from operations of each of IOF and DEXUS for the year ending 30 June 2016 do not provide reasonable grounds for the Forecasts, and
- in all material respects, the Forecasts :
  - ➢ are not properly prepared on the basis of the directors' best-estimate assumptions as described in section 10 of the Explanatory Memorandum, and
  - ➢ are not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards, the adjustments set out in section 10.3 of the Explanatory Memorandum and the accounting policies adopted by IOF and DEXUS, and
- the Forecasts themselves are unreasonable.

Pro Forma Forecast

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

- the directors' best-estimate assumptions used in the preparation of the pro forma forecast underlying funds from operations of the Merged Group for the year ended 30 June 2016 do not provide reasonable grounds for the Pro Forma Forecast, and
- in all material respects, the Pro Forma Forecast :
  - ➢ is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 10 of the Explanatory Memorandum; and
  - ➢ is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards, the adjustments set out in section 10.3 of the Explanatory Memorandum and the accounting policies adopted by IOF and DEXUS, applied to the Pro forma Forecast and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and
- the Pro Forma Forecast itself is unreasonable.

Forecasts and Pro Forma Forecast

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

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

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

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

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

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

Notice to investors outside Australia

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

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

Restriction on Use

Without modifying our conclusions, we draw attention to section 10.1 of the Explanatory Memorandum, which describes the purpose of the financial information, being for inclusion in the Explanatory Memorandum. As a result, the financial information may not be suitable for use for another purpose.

Consent

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

Liability

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

Independence or Disclosure of Interest

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

Financial Services Guide

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

Yours faithfully

M. H

Mark Haberlin
Authorised Representative
PricewaterhouseCoopers Securities Ltd

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 9 March 2016

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Investa Listed Funds Management Limited (as responsible entity of Investa Office Fund) (together, **IOF**) and DEXUS Funds Management Limited (as responsible entity of DEXUS Property Group (together, **DEXUS**) to provide a report in the form of an independent assurance report in relation to the Pro Forma Financial Information as at 31 December 2015 and the Pro Forma Forecast for the year ending 30 June 2016 of the Merged Group, being IOF and DEXUS, included in section 10 of the Explanatory Memorandum to be dated on or about 9 March 2016.

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

2. This Financial Services Guide

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

3. Financial services we are licensed to provide

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

4. General financial product advice

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

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

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to $360,000).

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

6. Associations with issuers of financial products

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

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (**FOS**), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

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

Mark Haberlin
201 Sussex Street, Sydney, NSW, 2000

Attachment 4

NOTICE OF MEETING

Investa Office Fund comprising
Armstrong Jones Office Fund
(ARSN 090 242 229)

and

Prime Credit Property Trust
(ARSN 089 849 196)

Investa Listed Funds Management Limited (ACN 149 175 655) (**ILFML**) as responsible entity of Armstrong Jones Office Fund (ARSN 090 242 229) (**AJO**) and Prime Credit Property Trust (ARSN 089 849 196) (**PCP**) hereby gives notice that a meeting of the unitholders of AJO and PCP will be held concurrently at:

Time: 10.00am (Sydney time)

Date: Friday 8 April 2016

Place: Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney NSW 2000

Business of the meeting

Capitalised terms used but not defined in this Notice of Meeting have the meaning given in the Explanatory Memorandum accompanying, and forming part of, this Notice of Meeting.

The business to be considered at the concurrently held meetings is to consider, and if thought fit, to pass the following resolutions of members of AJO and PCP (as applicable):

Proposal Resolutions

Resolution 1 Trust Acquisition Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of the members of AJO and PCP.

"That the proposal described in the notice of meeting and explanatory memorandum dated 9 March 2016 be approved for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes including the acquisition of a relevant interest in all the units in the fund by DEXUS Funds Management Limited (ABN 24 060 920 783) in its capacity as responsible entity of DEXUS Office Trust (ARSN 090 768 531) and DEXUS Wholesale Management Limited (ABN 56 159 301 907) as trustee of DOT IOF Sub-Trust."

Resolution 2 Trust Constitution Amendment Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution of the members of AJO and PCP.

"That, subject to and conditional on all other resolutions set out in the notice convening this meeting, for the purposes of section 601GC(1) of the Corporations Act 2001 (Cth) the constitution of the fund be amended by deleting the definition of "Proposal" in clause 1.1 and substituting the following new definition, namely "a proposal approved by special resolution of Holders and that for this purpose, the proposal described in the notice of meeting and explanatory memorandum dated 9 March 2016 is a "Proposal"; and

that the proposal described in the notice of meeting and explanatory memorandum dated 9 March 2016 is hereby approved."

Reasons for the Proposal

The Proposal Resolutions should be read in conjunction with the Explanatory Memorandum which sets out a detailed explanation of the reasons for the Proposal.

Entitlement to vote

IOF Unitholders registered as holders of IOF Units in each of Armstrong Jones Office Fund and Prime Credit Property Trust as at 7.00pm (Sydney time) on Wednesday, 6 April 2016 will be entitled to attend and vote at the Meeting.

Accordingly, transfers of IOF Units registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Majorities required

For the Proposal Resolutions to be approved:

a. Resolution 1, the Trust Acquisition Resolution, must be passed by at least 50% of the total number of votes cast on the resolution by IOF Unitholders entitled to vote on the resolution at the Meeting.

   For the purposes of this Proposal Resolution, and in accordance with item 7, section 611 and section 253E of the Corporations Act, Bidder and its associates must not cast any votes in favour of the resolution, and ILFML and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of IOF.

b. Resolution 2, the Trust Constitution Amendment Resolution, must be passed by at least 75% of the total number of votes cast on the relevant resolution by IOF Unitholders entitled to vote on the resolution at the Meeting. Resolution 2 is conditional on resolution 1 being passed.

   For the purposes of this Proposal Resolution, and in accordance with section 253E of the Corporations Act, ILFML and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of IOF.

Voting will be conducted by poll.

Voting in person

To vote in person at the Meeting, IOF Unitholders must attend the Meeting in person. An IOF Unitholder entitled to attend and vote at the Meeting will be admitted to the Meeting upon providing evidence of their name and address at the point of entry to the Meeting. Registration for the Meeting commences at 9.30am (Sydney time).

Voting by proxy

a. Each IOF Unitholder entitled to attend and vote has a right to appoint a proxy, and you may appoint the Chairman of the Meeting as your proxy.
b. If an IOF Unitholder appoints two proxies, the IOF Unitholder may specify the proportion or number of votes each proxy holder is entitled to exercise. Where two proxies are appointed and the appointment does not specify the proportion or number of the IOF Unitholder's votes, each proxy may exercise half of the votes.
c. A proxy need not be a IOF Unitholder.
d. The Proxy Form, which accompanies this Notice of Meeting, includes instructions on how to vote and appoint a proxy.
e. The Chairman intends to vote all undirected proxies in favour of the Proposal Resolutions.
f. To ensure that all IOF Unitholders can exercise their right to vote on the Proposal Resolutions, a Proxy Form is enclosed together with a reply paid envelope.

   In order to be valid, Proxy Forms should be completed and received no later than 10.00am (Sydney time) on Wednesday, 6 April 2016. The Proxy Form can be lodged using the reply paid envelope or:

   By mailing or faxing to:

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

   Fax: +61 2 9287 0309

   By hand:

   Investa Office Fund
   C/- Link Market Services Limited
   1A Homebush Bay Drive
   Rhodes NSW 2138 Australia

g. Power of Attorney: to sign the Proxy Form under power of attorney you must lodge the power of attorney with IOF's registry, Link Market Services Limited. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to your Proxy Form when you return it.
h. Companies: where the company has a sole director who is also the sole company secretary, the Proxy Form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone.
i. Otherwise the Proxy Form must be signed by a director with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

Voting by attorney

You may appoint an attorney to attend and vote at the Meeting on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by ILFML at its registered office by 10:00am (Sydney time) on Wednesday, 6 April 2016, unless it has been previously provided to ILFML.

Voting by corporate representative

a. IOF Unitholders who are bodies corporate may have a corporate representative attend and vote at the Meeting on their behalf. The appointment must comply with section 253B of the Corporations Act. Persons attending the Meeting as a corporate representative should bring to the Meeting evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.

b. If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission to the Meeting. A form of the certificate may be obtained from IOF's registry, Link Market Services Limited. If such evidence is not received, then the representative will not be permitted to act as a representative at the Meeting.

By order of the Board of Investa Listed Funds Management Limited as responsible entity of each of Armstrong Jones Office Fund and Prime Credit Property Trust.

Company Secretary,
Investa Listed Funds Management Limited

9 March 2016

Attachment 5

PROPOSAL TERMS

1 Preliminary matters

a. If this Proposal becomes Effective:
   i. the Bidder must provide or procure the provision of the Proposal Consideration to the Proposal Participants in accordance with these Proposal Terms and the Deed Poll; and
   ii. all the Target Securities, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to the Bidder and Target RE will enter the name of the Bidder in the Register in respect of the Target Securities.

b. Target RE and the Bidder have agreed, by executing the Implementation Deed, to implement this Proposal.

c. These Proposal Terms attribute actions to Bidder and the Bidder has agreed, by executing the Deed Poll, to perform the actions attributed to it under these Proposal Terms, including the provision or procuring the provision of the Proposal Consideration to the Proposal Participants.

d. In these Proposal Terms **Bidder** and **Nominee** each have the meaning given in the Implementation Deed.

2 Conditions

2.1 Conditions precedent

a. This Proposal is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:
   i. all the conditions in clause 3 of the Implementation Deed (other than the condition in the Implementation Deed relating to judicial advice in connection with this Proposal) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Judicial Advice Date;
   ii. neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Judicial Advice Date; and
   iii. the Second Judicial Advice having been obtained.

b. The Proposal will become effective on the Business Day after the Second Judicial Advice Date.

3 Transfer of Target Securities

On the Implementation Date:

a. subject to the provision of the Proposal Consideration in the manner contemplated by clause 5, the Target Securities, together with all rights and entitlements attaching to the Target Securities as at the Implementation Date, will be transferred to the Bidder, without the need for any further act by any Proposal Participant (other than acts performed by the Target RE as attorney and agent for Proposal Participants or by any sub-delegate of the Target RE), in the case of the Target Securities by:
   i. the Target RE or its sub-delegate delivering to the Bidder a duly completed Target Securities transfer, executed on behalf of the Proposal Participants, for registration; and
   ii. the Bidder duly executing the Target Securities transfer and delivering it to the Target RE for registration; and

b. as soon as possible following receipt of the Target Securities transfer, in accordance with clause 3(a)(ii), the Target RE must enter, or procure the entry of, the name of the Bidder in the Register in respect of all the Target Securities.

4 Dealings

4.1 Determination of Proposal Participants

To establish the identity and addresses of the Proposal Participants, dealings in Target Securities and other alterations to the Register will only be recognised if:

a. in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Target Securities on or before the Record Date; and

b. in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of those alterations, are received on or before the Record Date at the place where the Register is kept,

and the Target RE will not accept for registration, nor recognise for the purpose of establishing the identity and addresses of persons who are Proposal Participants, any transferor transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form (except a transfer to the Bidder pursuant to the Proposal or any subsequent transfer by the Bidder or its successors in title).

4.2 Register

a. The Target RE must register registrable transmission applications or transfers of Target Securities in accordance with clause 4.1(b) by, or as soon as practicable after the Record Date; provided that, for the avoidance of doubt but subject to the Listing Rules, nothing in this clause 4.2(a) requires the Target RE to register a transfer that would result in a Target Securityholder holding a parcel of Target Securities that is less than a ‘marketable parcel’ (as defined in the ASX Operating Rules).
   The persons shown in the Register, and the number of Target Securities shown as being held by them after registration

of those transfers and transmission applications will be taken to be the Proposal Participants, and the number of Target Securities held by them, as at the Record Date.

b. If the Proposal becomes Effective, a holder of Target Securities (and any person claiming through that holder) must not dispose of or purport or agree to dispose of, any Target Securities or any interest in them after the Record Date (except a transfer to the Bidder pursuant to the Proposal) or any subsequent transfer by the Bidder or its successors in title).

c. For the purpose of determining entitlements to the Proposal Consideration, the Target RE must maintain the Register in accordance with the provisions of this clause 4.2 until the Proposal Consideration has been paid to the Proposal Participants. The Register in this form will solely determine entitlements to the Proposal Consideration.

d. All statements of holding for Target Securities will cease to have effect after the Record Date as documents of title in respect of those Target Securities and, as from that date and time, each entry current at that date on the Register will cease to have effect except as evidence of entitlement to the Proposal Consideration in respect of the Target Securities relating to that entry.

e. As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, the Target RE will ensure that details of:

   i. the names, registered addresses and holdings of Target Securities for each Proposal Participant as shown in the Register as at the Record Date; and

   ii. the Election (if any) of each Proposal Participant,

   are available to the Bidder in the form the Bidder reasonably requires.

5 Proposal Consideration

5.1 Consideration

The Proposal Consideration in respect of each Target Security is the:

a. Standard Consideration;

b. the Maximum Cash Consideration; or

c. the Maximum Scrip Consideration.

5.2 Provision of Proposal Consideration

The Bidder undertakes that, subject to these Proposal Terms, if the Proposal becomes Effective, and in consideration for the transfer to the Bidder of each Target Security held by a Proposal Participant under the Proposal:

a. it will accept the transfer of Target Securities; and

b. it will provide to each Proposal Participant (or, in respect of any cash payable to a Proposal Participant, to Target RE on trust for each Proposal Participant) the Proposal Consideration, consistent with clause 8 and 9 and the terms of the Proposal.

To facilitate the provision of the Proposal Consideration, in accordance with the Proposal and the Deed Poll:

c. (**Scrip and Cash Consideration (Scrip Component)**) for the Scrip Component of the Scrip and Cash Consideration, the Maximum Scrip Election or any DEXUS Property Group Securities to be issued to a person making a Maximum Cash Election, the Bidder will issue the applicable number of DEXUS Property Group Securities to each applicable Proposal Participant in accordance with the terms of the Proposal before the transfer of the Target Securities on the Implementation Date.

d. (**Scrip and Cash Consideration (Cash Component)**) for the Cash Component of the Scrip and Cash Consideration, the Maximum Cash Election or any cash payable to a person making a Maximum Scrip Election:

   i. the Bidder must by 12:00pm on the business day before the Implementation Date, deposit into the Trust Account an amount in Australian currency and in immediately available funds equal to the Total Cash Pool;

   ii. Target RE must receive and hold the amount received from the Bidder under clause 5.2(d)(i) in the Trust Account as trustee for the Proposal Participants, and on the Implementation Date must draw on that amount to pay to each applicable Proposal Participant an amount in Australian currency to which that Proposal Participant is entitled as the Cash Component of the Scrip and Cash Consideration, an amount pursuant to the Maximum Cash Election or any cash payable to a person making a Maximum Scrip Election in accordance with the Proposal, either by:

      A. electronic funds transfer to either an account nominated by the Proposal Participant in their Election Form or, if no account is so nominated, the account of the Proposal Participant with the bank or other financial institution nominated by them for receipt of distributions on their Target Securities; or

      B. cheque sent by pre-paid post:

         aa. in the case of Proposal Participants who are registered as holding the Target Securities jointly – to the address recorded in the Register at the Record Date of the person whose name appears first in the Register in respect of the joint holding; or

         bb. otherwise – to the Proposal Participant's address recorded in the Register at the Record Date.

5.3 Elections – general

a. A Target Securityholder may make an election to receive one of the following:
   i. the Standard Consideration;
   ii. the Maximum Cash Consideration; or
   iii. the Maximum Scrip Consideration,

   for all their Target Securities by completing the Election Form, such election being subject to clauses 5.7, 8.1, 8.2 and 9.

b. For an election to be valid, the Target Securityholder must complete and sign the Election Form in accordance with the instructions in the Explanatory Memorandum and on the Election Form and the Election Form must be received by the Registry by the Election Date at the address specified in the Explanatory Memorandum and on the Election Form.

c. An election made by a Target Securityholder, whether valid or not, will be irrevocable unless the Bidder in its discretion agrees to the revocation of the election (such discretion to be exercised fairly and equitably having regard to the circumstances at the time).

d. Subject to clause 5.3(e), an election made or deemed to be made by a Target Securityholder under this clause 5 will be deemed to apply in respect of the Target Securityholder's entire registered holding of Target Securities at the Record Date, regardless of whether the Target Securityholder's holding of Target Securities at the Record Date is greater or less than the Target Securityholder's holding of Target Securities at the time it made its election.

e. A Target Securityholder who is noted on the Register as holding one or more parcels of Target Securities as trustee or nominee for, or otherwise on account of, another person, may in the manner considered appropriate by the Bidder and the Target RE (acting reasonably including after consultation with the Registry), make separate elections under this clause in relation to each of those parcels of Target Securities (subject to it providing to the Bidder and the Target RE any substantiating information they reasonably require), and an election made in respect of any such parcel, or an omission to make an election in respect of any such parcel, will not be taken to extend to the other parcels.

f. Subject to clauses 5.3(g) and 5.3(h), an Election Form will not be valid unless it is completed and received in accordance with the procedures set out in clause 5.3(b).

g. The Bidder will determine, in its sole discretion, all questions as to the correct completion of an Election Form, and time of receipt of an Election Form. The Bidder is not required to communicate with any Target Securityholder prior to making this determination. The determination of the Bidder will be final and binding on the Target Securityholder.

h. Notwithstanding clause 5.3(b), the Bidder may, in its sole discretion, at any time and without further communication to Target Securityholder, deem any Election Form that has been received from a Target Securityholder to be a valid election in respect of the relevant Target Securities, even if a requirement for a valid election has not been complied with.

5.4 Standard Consideration if election not made

If a valid election is not made by a Target Securityholder or no election is made by a Target Securityholder, then that Target Securityholder will be deemed to have elected to receive Standard Consideration in respect of all of their Target Securities.

5.5 Maximum Cash Consideration

If a Proposal Participant makes a Maximum Cash Election, the Proposal Participant will be entitled to receive for each Target Security held by that Proposal Participant at the Record Date:

a. if the Available Cash Consideration is not required by clause 5.5(c) to be pro rated amongst Target Securityholders who make a Maximum Cash Election, the Implied Announcement Value in cash per Target Security; and

b. if the Available Cash Consideration is required by clause 5.5(c) to be pro rated amongst Proposal Participants who make a Maximum Cash Election:
   i. an amount of cash per Target Security calculated as follows:
      $A \div B$

      Where:

      A = the Available Cash Consideration;
      B = the total number of Target Securities held at the Record Date by all Proposal Participants who make a Maximum Cash Election; and

   ii. a number of DEXUS Property Group Securities per Target Security calculated as follows:
      (Implied Announcement Value – X) ÷ Y

      Where:
      X = the amount of cash per Target Security determined in accordance with clause 5.5(b)(i); and
      Y = the DEXUS Reference Price of a DEXUS Property Group Security.

c. For the purpose of this clause 5.5, the Available Cash Consideration is required to be pro-rated amongst the Proposal Participants who make a Maximum Cash Election if the amount determined by multiplying the Implied Announcement Value by the total number of Target Securities held by all Proposal Participants making a Maximum Cash Election exceeds the Available Cash Consideration.

5.6 Maximum Scrip Consideration

If a Proposal Participant makes a Maximum Scrip Election then, subject to clauses 8 and 9, the Proposal Participant will be entitled to receive for each Target Security held by that Proposal Participant at the Record Date:

a. if the Available Scrip Consideration is not required to be pro rated by clause 4.6(c) amongst Proposal Participants who make a Maximum Scrip Election, a number of DEXUS Property Group Securities per Target Security equal to the Scrip Equivalent of the Implied Offer Number; and

b. if the Available Scrip Consideration is required by clause 5.6(c) to be pro rated amongst Proposal Participants who make a Maximum Scrip Election:

   i. a number of DEXUS Property Group Securities per Target Security calculated as follows, provided that such number is not to exceed the Scrip Equivalent of the Implied Offer Number:

   $A \div B$

   Where:

   A = the Available Scrip Consideration;

   B = the total number of Target Securities held at the Record Date by all Proposal Participants who make a Maximum Scrip Election; and

   ii. an amount of cash per Target Security calculated as follows:

   Implied Announcement Value – $(X \times Y)$

   Where:

   X = the number of DEXUS Property Group Securities per Target Security determined in accordance with clause 5.6(b)(i); and

   Y = the DEXUS Reference Price of a DEXUS Property Group Security.

c. For the purpose of this clause 5.6, the Available Scrip Consideration is required to be pro-rated amongst Proposal Participants who make a Maximum Scrip Election if the number of DEXUS Property Group Securities determined by multiplying the Scrip Equivalent of the Implied Offer Number by the total number of Target Securities held by all Proposal Participants who make a Maximum Scrip Election exceeds the Available Scrip Consideration.

5.7 Joint holders

In the case of Target Securities held in joint names:

a. any amount comprising the cash component of the Proposal Consideration payable in respect of those Target Securities is payable to the joint holders and any cheque required to be sent under the Proposal will be made payable to the joint holders and sent to either, at the sole discretion of the Target RE, the holder whose name appears first in the Register as at the Record Date or to the joint holders;

b. any DEXUS Property Group Securities to be provided under the Proposal must be provided to and registered in the names of the joint holders; and

c. any other document required to be sent under the Proposal, will be forwarded to either, at the sole discretion of the Target RE, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

5.8 Unclaimed monies

a. The Target RE may cancel a cheque issued under this clause 5 if the cheque:

   i. is returned to the Target RE; or

   ii. has not been presented for payment within six months after the date on which the cheque was sent.

b. During the period of 12 months commencing on the Implementation Date, on request in writing from a Proposal Participant to the Target RE (or the Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), the Target RE must reissue a cheque that was previously cancelled under this clause 5.8.

c. The Unclaimed Money Act 1995 (NSW) will apply in relation to any Proposal Consideration which becomes ‘unclaimed money’ (as defined in section 3 of the Unclaimed Money Act 1995 (NSW)).

5.9 Orders of a court or Government Agency

If written notice is given to the Bidder, the Target RE (or either or their respective registry services providers) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

a. requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Target Securities held by a particular Proposal Participant, which would otherwise be payable or required to be provided to that Proposal Participant by the Target RE or Bidder in accordance with this clause, then Target RE shall be entitled to provide that consideration is made in accordance with that order or direction; or

b. prevents Target RE or Bidder from providing consideration to any particular Proposal Participant in accordance with clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, the Target RE or Bidder shall be entitled to (as applicable):

   i. retain an amount, in Australian dollars, equal to the cash component of the Proposal Consideration to which that Proposal Participant would otherwise be entitled to under this clause 5; and

   ii. not issue DEXUS Property Group Securities that a Target Securityholder would otherwise be entitled to under this clause 5,

until such time as provision of the consideration in accordance with this clause 5 is permitted by that order or direction or otherwise by law.

5.10 Total Proposal Consideration

a. Subject to clause 5.10(b) to avoid doubt and notwithstanding any other provision of this agreement, no more than a total of the Total Cash Pool and a total of the Total Scrip Pool (collectively, the Total Proposal Consideration) will be provided by the Bidder as Proposal Consideration, and if for any reason a greater total amount or total number of DEXUS Property Group Securities would (but for this clause 5.10) be required to be provided by the DEXUS Property Group Securities, the requirement (or requirements) for provision of the same will be reduced (in such manner as the Bidder and the Target RE consider equitable) to ensure that no more than the Total Proposal Consideration is provided.

b. The limitation in clause 5.10(a) will not apply to the extent that a greater total amount of cash or total number of DEXUS Property Group Securities than the Total Proposal Consideration would be required to be provided by the Bidder under the Proposal due to any rounding applied in the application of the formulae contained in the definitions of DEXUS Reference Price, Implied Announcement Value or Scrip Equivalent of the Implied Offer Number or in accordance with clause 9 and the requirement (or requirements) for provision of Proposal Consideration will be increased (in such manner as the Bidder and the Target RE consider equitable) to take account of such issues.

6 Warranties and title

6.1 Holder's agreements and warranties

a. Each Proposal Participant:

   i. agrees to the transfer of their Target Securities together with all rights and entitlements attaching to those Target Securities in accordance with these Proposal Terms and agrees to any variation, cancellation or modification of their rights constituted by or resulting from these Proposal Terms;

   ii. acknowledges that these Proposal Terms bind the Target RE and all Target Securityholders (including those who did not attend the Meeting, did not vote at that meeting, or voted against the Proposal Resolutions and, to the extent of any inconsistency); and

   iii. agrees that the current market value of each of their Target Securities for the purposes of the Proposal is the Scrip Component and the Cash Component being provided by DEXUS RE.

b. Each Proposal Participant is taken to have warranted to the Target RE and the Bidder, and appointed and authorised the Target RE as its attorney and agent to warrant to the Bidder, that all their Target Securities (including any rights and entitlements attaching to them) which are transferred under these Proposal Terms will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind (other than that the securities comprising the Target Securities must be transferred together), and that they have full power and capacity to sell and to transfer their Target Securities to the Bidder under the Proposal together with any rights attaching to them. The Target RE will provide such warranty to the Bidder as agent and attorney of each Holder.

6.2 Title to and rights in Target Securities

a. To the extent permitted by law, the Target Securities transferred under these Proposal Terms will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.

b. Immediately upon provision of the Proposal Consideration to each Proposal Participant in the manner contemplated in clause 5.2, the Bidder will be beneficially entitled to the Target Securities transferred to it under these Proposal Terms pending registration by the Target RE of the Bidder in the Register as the holder of the Target Securities.

7 Appointment of sole proxy

Immediately upon provisions of the Proposal Consideration to each Proposal Participant in the manner contemplated in clause 5.2, and until the Target RE registers the Bidder as the holder of all Target Securities in the Register, each Proposal Participant:

a. is deemed to have appointed the Bidder as attorney and agent (and directed the Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by the Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend securityholder meetings, exercise the votes attaching to the Target Securities registered in their name and sign any securityholder resolution;

b. no Proposal Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 7); and

c. must take all other actions in the capacity of a registered holder of Target Securities as the Bidder reasonably directs.

8 Sale Facility

8.1 Ineligible Overseas Target Securityholders

Each Ineligible Overseas Target Securityholder must participate in the sale facility.

8.2 Minimum Holders

Each Minimum Holder may elect to have the DEXUS Property Group securities that they would receive under the Proposal sold through the sale facility (**Electing Minimum Holder**).

8.3 Sale Facility

a. The Bidder will issue to a nominee (the “Sale Agent”) appointed by the Bidder, the Target Securities to which an Ineligible Overseas Target Securityholder or Electing Minimum Holder would otherwise be entitled.

b. The Bidder will procure that, as soon as reasonably practicable and in any event not more than 15 Business Days after the Implementation Date, the Sale Agent:

    i. sells on the financial market conducted by ASX all of the Sale Securities issued to the Sale Agent pursuant to clause 8.3(a) in the manner, at the price and on the other terms that the Sale Agent determines in good faith and at the risk of the Ineligible Overseas Target Securityholders and Electing Minimum Holders; and

    ii. remits to the Target RE the proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) (“Gross Proceeds”).

c. Promptly after receiving the Gross Proceeds , the Target RE must pay, or procure payment, to each applicable Proposal Participant specified in clause 8.1 and 8.2 an amount calculated as follows:

    A ÷ B x C

    Where:

    A = the Gross Proceeds

    B = the total number of Sale Securities and

    C = the number of DEXUS Property Group Securities to which the relevant Proposal Participant would have been entitled.

d. None of the Target RE, the Bidder or the Sale Agent gives any assurance as to the price that will be achieved for the sale of DEXUS Property Group Securities described in clause 8. The sale of DEXUS Property Group Securities under this clause 8 will be the risk of the relevant Proposal Participant.

e. Payments made to Target Securityholders specified in clause 8.3(c) are to be made in the same way that payments are to be made under clause 5.2(d)(ii).

f. If the Target RE receives professional advice that any withholding or other tax is required by law to be withheld from payment to a Holder under this clause 8, the Target RE is entitled to withhold the relevant amount before making the payment to the Proposal Participant (and payment of the reduced amount shall be taken to be full payment of the amount for the purposes of this clause 8). The Target RE must pay any amount withheld to the relevant taxation authorities within the time permitted by law, and, if requested in wiring by the relevant Proposal Participant, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Proposal Participant.

g. Payment of an amount to a Proposal Participant in accordance with this clause 8, will be in full satisfaction of the obligations of the Target RE and the Bidder to the relevant Holder under this clause 8 in respect of their entitlements to Scrip Component Proposal Consideration.

9 Fractional entitlements, splitting and anti-manipulation

a. If the number of Target Securities held by a Proposal Participant means that their aggregate entitlement to DEXUS Property Group Securities is not a whole number, that fractional entitlement will be rounded down to zero DEXUS Property Group Securities.

b. If the Bidder and Target RE are of the opinion (acting reasonably) that two or more Proposal Participants (each of whom holds a number of Target Securities which results in rounding in accordance with clause 9(a) have, before the Record Date, been party to security splitting or division in an attempt to obtain unfair advantage by reference to such rounding, Target RE may give notice to those Proposal Participants:

   i. setting out their names and registered addresses as shown in the Register;

   ii. stating that opinion; and

   iii. attributing to one of them specifically identified in the notice the Target Securities held by all of them,

   and, after such notice has been given, the Proposal Participant specifically identified in the notice as the deemed holder of all the specified Target Securities will be taken to hold all of those Target Securities and each of the other Proposal Participants whose names and registered addresses are set out in the notice will be taken to hold no Target Securities. Target RE, in complying with the provisions of this agreement relating to it in respect of the Proposal Participant specifically identified in the notice as the deemed holder of all the specified Target Securities, will be taken to have satisfied and discharged its obligations to the other Proposal Participants named in the notice.

c. Where the calculation of the Proposal Consideration to be provided to a particular Proposal Participant would result in the Proposal Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

10 Quotation of Target Securities and Status of new DEXUS Property Group Securities

10.1 Target Securities

a. The Target RE will apply to ASX to suspend trading on the ASX in Target Securities with effect from the close of trading on the Effective Date.

b. On a date after the Implementation Date to be determined by the Bidder, the Target RE will apply:

   i. for termination of the official quotation of Target Securities on the ASX; and

   ii. to have the Trust removed from the official list of the ASX.

10.2 DEXUS Property Group Securities

Subject to the Proposal becoming Effective, the Bidder must:

a. issue the new DEXUS Property Group Securities required to be issued by it under the Proposal on terms such that each such new DEXUS Property Group Security will rank equally in all respects with each existing DEXUS Property Group Security;

b. ensure that each such new DEXUS Property Group Securities is duly and validly issued in accordance with all applicable laws and the Bidder's constituent documents, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest; and

c. use all reasonable endeavours to ensure that such new DEXUS Property Group Securities are, by no later than the Implementation Date, quoted for trading on the ASX.

11 General

11.1 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Proposal Participant to Target RE binding or deemed binding between the Proposal Participant and Target RE relating to Target RE or Target Securities, including instructions, notifications or elections relating to:

a. whether distributions are to be paid by cheque or into a specific bank account;

b. payments of distributions on Target Securities; and

c. notices or other communications from Target RE (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by Bidder in its sole discretion), by reason of this Proposal, to be made by the Proposal Participant to Bidder and to be a binding instruction, notification or election to, and accepted by, Bidder in respect of the new DEXUS Property Group Securities issued to that Proposal Participant until that instruction, notification or election is revoked or amended in writing addressed to Bidder at its registry.

11.2 Binding effect of these Proposal Terms

From the Effective Date:

a. these Proposal Terms bind the Target RE and all of the present and future Target Securityholders (including those who did not attend the Meeting), did not vote at that meeting, or voted against the Proposal Resolutions) and, to the extent of any inconsistency, overrides any other Schedule of the Implementation Agreement, or anything else in the Explanatory Memorandum;

b. the Target RE and, so far as is relevant, the Target Securityholders, must give effect to the Proposal; and

c. subject to section 601GA(2) of the Corporations Act, the Target RE shall not have any liability of any nature to Target Securityholders beyond the assets of the Trust out of which the Target RE is actually indemnified arising directly or indirectly from the Target RE doing or refraining from any act, matter or thing pursuant to or in connection with the Proposal.

11.3 Consent

Each of the Target Securityholders consents to the Target RE doing all things necessary or incidental to the implementation of the Proposal.

11.4 Further action

The Target RE must do all things and execute all documents necessary to give full effect to the Proposal and the transactions contemplated by it.

11.5 Nominee

a. If the Bidder has nominated a Nominee to acquire the Target Securities. then the Nominee will have all the obligations of the Bidder under this Schedule to acquire the Target Securities and to provide, or procure the provision of, the Proposal Consideration.

b. The Bidder must take all steps necessary to procure that the Nominee complies with its obligations to acquire the Target Securities and to provide, or procure the provision of, the Proposal Consideration.

Attachment 6

DEED POLL

Deed Poll

DEXUS Funds Management Limited (ABN 24 060 920 783) (**DEXUS RE**) in its capacity as responsible entity of DEXUS Diversified Trust (ARSN 089 324 541) (**DDF**), DEXUS Industrial Trust (ARSN 090 879 137) (**DIT**), DEXUS Office Trust (ARSN 090 768 531) (**DOT**) and DEXUS Operations Trust (ARSN 110 521 223) (**DXO**) (together, the **Bidder**)

DEXUS Wholesale Management Limited (ABN 56 159 301 907) as trustee of DOT IOF Sub-Trust (**Nominee**)

in favour of:

Each Proposal Participant

King & Wood Mallesons

Level 61

Governor Phillip Tower

1 Farrer Place

Sydney NSW 2000

Australia

T +61 2 9296 2000

F +61 2 9296 3999

DX 113 Sydney

www.kwm.com

Deed Poll

Details

Parties	Bidder and Nominee in favour of each Proposal Participant	
Bidder	Name	DEXUS Funds Management Limited (ABN 24 060 920 783) (**DEXUS RE**) in its capacity as responsible entity of DEXUS Diversified Trust (ARSN 089 324 541) (**DDF**), DEXUS Industrial Trust (ARSN 090 879 137) (**DIT**), DEXUS Office Trust (ARSN 090 768 531) (**DOT**) and DEXUS Operations Trust (ARSN 110 521 223) (**DXO**) (together, the **Bidder**)
	Address	Level 25, Australia Square, 264 George Street Sydney NSW 2000
	Fax	+61 2 9017 1102
	Attention	Mr Brett Cameron
Nominee	Name	DEXUS Wholesale Management Limited (ABN 56 159 301 907) (**DWML**) as trustee of DOT IOF Sub-Trust (**DOT IOF Sub-Trust**).
	Address	Level 25, Australia Square, 264 George Street Sydney NSW 2000
	Fax	+61 2 9017 1102
	Attention	Mr Brett Cameron
In favour of		
Each Proposal Participant	Name	**Each Proposal Participant**

Recitals	**A**	On 18 December 2015, the Bidder and the Target RE entered into the Implementation Agreement.
	B	Under the Implementation Agreement, the Bidder has agreed to execute this deed poll and has agreed to procure that Nominee would execute this deed poll.
Governing law	New South Wales	
Date of agreement	See Signing page	

General terms

1 Defined terms and interpretation

1.1 Defined terms

(a) In this deed poll, **Trust Account** means the trust account nominated by Target RE, the details of which must be notified in writing to the Bidder at least 5 Business days before the Implementation Date.

(b) Other than as set out in clause 1.1(a), in this deed poll, unless the context requires otherwise, all other words and phrases defined in the Implementation Agreement have the same meaning in this deed poll.

1.2 Interpretation

This deed poll is to be interpreted according to corresponding rules to those set out in clause 1.2 ("References to certain general terms") of the Implementation Agreement except that references to 'this agreement' will be taken as being references to 'this deed poll'.

2 Condition precedent and termination

2.1 Condition precedent

The obligations of the Bidder and Nominee under this deed poll are conditional on the Proposal becoming Effective.

2.2 Termination

The obligations of the Bidder and Nominee under this deed poll will automatically terminate, and the terms of this deed poll will be of no further force or effect, if the Proposal is not implemented by the End Date.

2.3 Consequences of termination

If the obligations of the Bidder and Nominee under this deed poll are terminated under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies available to Proposal Participants:

(a) the Bidder and Nominee are released from its respective obligations to further perform or procure performance of this deed poll; and

(b) Proposal Participants retain any rights they have against the Bidder and Nominee in respect of any breach of this deed poll which occurred before termination of this deed poll.

3 Compliance with the Proposal

3.1 Performance of obligations generally

The Bidder will comply with its obligations under the Implementation Agreement to do all acts and things as may be necessary or desirable on its part to give full effect to the Proposal.

3.2 Covenants in favour of Proposal Participants

Subject to clause 2, in consideration for the transfer of Target Securities to the Nominee and DEXUS RE as responsible entity of DOT pursuant to the Proposal the Bidder and Nominee covenants in favour of each Proposal Participant to do or to procure that all things it is provided that the Bidder and Nominee will do pursuant to the Proposal as described in the Implementation Agreement including the provision of the Proposal Consideration in accordance with the terms of the Proposal.

3.3 Manner of payment

The Bidder's and Nominee's obligations to provide, or procure the provision of, the aggregate Proposal Consideration will be satisfied by:

(a) the Bidder or Nominee by 12 noon on the day before the Implementation Date, procuring that an amount in Australian currency is deposited into the Trust Account and in immediately available funds equal to the aggregate of all the Cash Consideration and Cash Component amounts payable to each Proposal Participant; and

(b) the Bidder issuing the applicable number of DEXUS Property Group Securities to each applicable Proposal Participant or Sale Agent prior to the transfer of the Target Securities to the Nominee and DEXUS RE as responsible entity of DOT on the Implementation Date.

4 Warranties

Each of the Bidder and Nominee represents and warrants that:

(a) (**MIS Status**) DDF, DIT, DOT, DXO are each validly established and DDF, DIT, DOT and DXO are each registered as a 'registered scheme' under Chapter 5C of the Corporations Act.

(b) (**Sub trust status**) DOT IOF Sub-Trust is duly established and validly subsisting.

(c) (**responsible entity**) DEXUS RE is the responsible entity of DDF, DIT, DOT and DXO, has been validly appointed and remains as responsible entity of DDF, DIT, DOT and DXO and no action has been taken to or proposed to be taken to remove it as responsible entity.

(d) (**trustee**) DWML is the trustee of the DOT IOF Sub-Trust, has been validly appointed and remains as trustee of DOT IOF Sub-Trust and no action has been taken to or proposed to be taken to remove it as responsible entity.

(e) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(f) **(authorisations)** it has taken all necessary action to authorise the entry into of this deed poll and has taken or, if the condition precedent referred to in clause 2.1 is satisfied or waived, will take all necessary action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(g) **(binding obligations)** this deed poll is valid and binding upon it;

(h) **(solvency)** it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets; and

(i) **(no default)** this deed poll does not conflict with or result in the breach of or default under any provision of its constitution, any material term or provision of any material agreement or any writ, order or injunction, judgement, law, rule, regulation or instrument to which it is party or subject or of which it is bound.

(j) (**RE right of indemnity**) DEXUS RE's right of indemnity out of, and lien over the assets of DDF, DIT, DOT and DXO has not been limited in any way. DEXUS RE has no liability which may be set off against the right of indemnity.

(k) (**Trustee right of indemnity**) DWML's right of indemnity out of, and lien over the assets of DOT IOF Sub-Trust has not been limited in any way. DWML has no liability which may be set off against the right of indemnity.

5 Limitation of liability

5.1 Limitation of responsible entity liability

A party that is a responsible entity or trustee enters into this deed poll only in its capacity as responsible entity or trustee of the trusts listed in the Details section of this deed poll and in no other capacity. References to those parties in this agreement are references to those parties responsible entity capacity only. Subject to clause 5.2, and to the extent permitted by law:

(a) a liability to any person arising under or in connection with this deed poll is limited to and can be enforced against a responsible entity only to the extent to which it can be satisfied out of the property of the relevant trust out of which the responsible entity is actually indemnified for the liability; and

(b) a responsible entity is not liable in its personal capacity in contract, tort or otherwise for any loss suffered in any way relating to the relevant trust listed in the Details section of this deed poll except to the extent that the Corporations Act or the constitutions of those trusts impose a liability of that nature.

5.2 Exceptions to responsible entity limitation of liability

Clause 5.1 does not apply to any obligation or liability of a responsible entity or trustee to the extent that it is not satisfied because, under the relevant trust constitutions or by operation of law, there is a reduction in the extent, or elimination, of the responsible entity's indemnification out of the assets of the relevant trust as a result of the responsible entity's fraud, negligence or breach of trust.

6 Continuing obligations

This deed poll is irrevocable and remains in full force and effect until the Bidder and Nominee has completely performed its obligations under this deed poll or the earlier termination of this deed poll under clause 2.2.

7 General

7.1 Nominee

The Bidder must take all steps necessary to procure that the Nominee and DEXUS RE in its capacity as responsible entity of DOT complies with their obligations to acquire the Target Securities and to provide, or procure the provision of, the Proposal Consideration.

7.2 Nature of deed poll

The Bidder and Nominee acknowledge that this deed poll may be relied on and enforced by any Proposal Participant in accordance with its terms even though those persons are not party to this deed poll.

7.3 Further assurances

The Bidder and Nominee will do all things and execute all deeds, instruments, transfers or other documents as may be necessary to give full effect to the provisions of this deed poll and the transactions contemplated by it.

7.4 Remedies cumulative

The rights, powers and remedies of the Bidder and Nominee and Proposal Participants in this deed poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity.

7.5 Waiver

(a) A failure or delay in exercise, or partial exercise, of:

  (i) a right arising from a breach of this deed poll; or

  (ii) a right, power, authority, discretion or remedy created or arising upon default under this deed poll,

  does not result in a waiver of that right, power, authority, discretion or remedy.

(b) Waiver of any right arising from a breach of this deed poll or any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the party granting the waiver.

7.6 Assignment

The rights and obligations of the Bidder and Nominee and each Proposal Participant under this deed poll are personal. They cannot be assigned, encumbered or otherwise dealt with and none of the Bidder and Nominee or any Proposal Participant may attempt, or purport, to do so without the prior written consent of the Target RE and the Bidder and Nominee.

7.7 Stamp duty

All stamp duty that may be payable on or in connection with this deed poll and any instrument effected by, executed under or pursuant to this deed poll must be borne by the Bidder. The Bidder must indemnify each Proposal Participant on demand against any liability for that stamp duty.

7.8 Notices

(a) Unless expressly stated otherwise in this agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed poll must be:

  (i) in writing;

  (ii) signed by the sender (if an individual) or an Authorised Officer of the sender; and

  (iii) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.

(b) Communications must be:

  (i) left at the address set out or referred to in the Details section;

  (ii) sent by prepaid ordinary post (airmail if sent to an address outside Australia) to the address set out or referred to in the Details section;

  (iii) sent by fax to the fax number set out or referred to in the Details section; or

  (iv) given in any other way permitted by law.

However, if the intended recipient has notified a changed address or fax number, then communications must be to that address or fax number.

(c) Communications take effect from the time they are received or taken to be received under clause 6.8(d) (whichever happens first) unless a later time is specified.

(d) Communications are taken to be received:

  (i) if sent by post, three days after posting (or seven days after posting if sent from one country to another); or

  (ii) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

7.9 Variation

A provision in this deed poll may only be varied:

(a) before the First Judicial Advice date, by the Bidder or Nominee if the variation is agreed to by the Target RE (acting reasonably) where such agreement may be given or withheld without reference to or approval by any Proposal Participant being required;

(b) after the First Judicial Advice date, by the Bidder or Nominee if the variation is agreed to by the Target RE (acting reasonably) where such agreement may be given or withheld without reference to or approval by any Proposal Participant being required and is approved by the Court,

in which event the Bidder or Nominee will enter into a further deed poll in favour of the applicable Proposal Participants giving effect to any such amendment.

7.10 Further assurances

The Bidder and Nominee will execute all deeds and other documents and do all acts and things (on their own behalf or on behalf of each Proposal Participant) as may be necessary to give full effect to this deed poll and the transactions contemplated by it.

7.11 Governing law and jurisdiction

This deed poll is governed by the by the law in force in the place specified in the Details. The Bidder and Nominee submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this deed poll.

7.12 Service of process

Without preventing any other mode of service, any document in a legal action, suit or other proceeding in the courts of New South Wales or courts of appeal from them (including, without limitation, any writ or summons or other originating process or any third or other party notice) may be served on the Bidder or the Nominee(as the case may be) by being delivered to the Bidder and Nominee (as the case may be) at the address shown in the Details.

EXECUTED AND DELIVERED as a deed poll

SIGNED, SEALED AND DELIVERED by Brett David Cameron **AND** RACHEL BIANCA CARALIS as attorneys for **DEXUS WHOLESALE MANAGEMENT LIMITED (ABN 56 159 301 907) AS TRUSTEE OF DOT IOF SUB-TRUST** under power of attorney registered book 4695 no. 112 in the presence of:

A J Isovard

Signature of witness

Amanda Isovard

Name of witness (block letters)

By executing this document the attorney states that the attorney has received no notice of revocation of the power of attorney

By executing this document the attorney states that the attorney has received no notice of revocation of the power of attorney

Deed Poll

Signing page

DATED:____________________

SIGNED, SEALED AND DELIVERED by Brett David Cameron **AND** RACHEL BIANCA CATALLI as attorneys for **DEXUS FUNDS MANAGEMENT LIMITED** in its capacity as responsible entity of DEXUS Diversified Trust, DEXUS Industrial Trust, DEXUS Office Trust (ARSN 090 768 531) and DEXUS Operations Trust under power of attorney registered book 4695 no. 109 in the presence of:

By executing this document the attorney states that the attorney has received no notice of revocation of the power of attorney

AJ Isovard

Signature of witness

Amanda Isovard

Name of witness (block letters)

By executing this document the attorney states that the attorney has received no notice of revocation of the power of attorney

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CORPORATE DIRECTORY

Investa Office Fund

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

Responsible Entity

Investa Listed Funds Management Limited
ACN 149 175 655 AFSL 401414

Registered Office

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

Phone: +61 2 8226 9300
Fax: +61 2 9844 9300

Email: investorrelations@investa.com.au
Website: www.investa.com.au/IOF

ASX Code

IOF

IOF Registry

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

Locked Bag A14
Sydney South NSW 1235

Phone: 1300 851 394 (local call cost)
or: +61 1300 851 394 (outside Australia)
Fax: +61 2 9287 0303

Email: investa@linkmarketservices.com.au

Legal Adviser

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

Financial Advisers

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

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

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

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

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

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

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
Telephone: 1300 308 902 Overseas: +61 2 9098 9228

X99999999999

PROXY FORM

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

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting *(mark box)***

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

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, in FAVOUR of each item of business) at the Extraordinary General Meeting of Investa Office Fund to be held at **10:00am (Sydney time) on Friday, 8 April 2016 at Radisson Blu Plaza Hotel, 27 O'Connell Street, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

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

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by Investa Listed Funds Management Limited as responsible entity of Armstrong Jones Office Fund and Prime Credit Property Trust if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions	**For**	**Against**	**Abstain***
1 Trust Acquisition Resolution	☐	☐	☐
2 Trust Constitution Amendment Resolution	☐	☐	☐

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

STEP 3

SIGNATURE OF UNITHOLDERS – THIS MUST BE COMPLETED

Unitholder 1 (Individual)	Joint Unitholder 2 (Individual)	Joint Unitholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

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

IOF PRX1601A

HOW TO COMPLETE THIS UNITHOLDER PROXY FORM

YOUR NAME AND ADDRESS

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

APPOINTMENT OF PROXY

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

DEFAULT TO CHAIRMAN OF THE MEETING

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

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF A SECOND PROXY

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

To appoint a second proxy you must:

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

(b) return both forms together.

SIGNING INSTRUCTIONS

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

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

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

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

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

CORPORATE REPRESENTATIVES

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

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Sydney time) on Wednesday, 6 April 2016,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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

ONLINE
www.linkmarketservices.com.au

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

BY MOBILE DEVICE

QR Code

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

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

BY MAIL

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

BY FAX

+61 2 9287 0309

BY HAND

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

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

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

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

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

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

Current unitholding as at Election Date:*

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

ELECTION FORM

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

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

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

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

Once made, your Election will be irrevocable and apply to all IOF Units which you hold on the Implementation Date.

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

A Election

I/We elect:

☐ **Standard Consideration**
Being $0.8229 cash and 0.4240 DEXUS Securities for each IOF Unit held at the Record Date (on the terms as described in Section 5.4(a) of the Explanatory Memorandum);

☐ **Maximum Cash Consideration**
All Proposal Consideration in cash (subject to scale-back) on the terms as described in Section 5.4(b) of the Explanatory Memorandum;

☐ **Maximum Scrip Consideration**
All Proposal Consideration in new DEXUS Securities (subject to scale-back) on the terms as described in Section 5.4(c) of the Explanatory Memorandum;

☐ **Participate in Sale Facility as an Electing Minimum Holder**
An IOF Unitholder who is entitled to receive a parcel of DEXUS Securities under the terms of the Proposal with a value of less than $500 (calculated as at the close of trading on the Effective Date) may make the Elections described in Sections 5.4(a), 5.4(b) or 5.4(c) of the Explanatory Memorandum on the same terms, including as to scale-back, as Eligible IOF Unitholders. However, if you elect to participate in the Sale Facility as a Minimum Holder, you will receive cash instead of any DEXUS Securities which you would be otherwise entitled to receive (including to the extent that you have made an Election, or deemed to have made an Election, to receive DEXUS Securities), through the Sale Facility. See Sections 5.4(d) and 5.4(e) of the Explanatory Memorandum for further details.

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

Daytime telephone number
( )

Contact name (PRINT)

C Unitholder Signature(s) – Instructions

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

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

Unitholder 1 (Individual)	Joint Unitholder 2 (Individual)	Joint Unitholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

Date
/ /

*The number of Units in your name on the IOF Register on Election Date. This number may change. Your Election applies to all the IOF Units you hold at the Record Date (currently scheduled for Thursday, 21 April 2016), not the number in this box.

TO BE A VALID ELECTION, THIS ELECTION FORM MUST BE RECEIVED AT ONE OF THE ADDRESSES LISTED OVERLEAF BY NO LATER THAN 5:00PM (SYDNEY TIME) ON WEDNESDAY, 20 APRIL 2016

HOW TO COMPLETE THIS ELECTION FORM

A Election

Please make your Election by marking the appropriate box.

If the Proposal becomes Effective and is implemented then:

- Proposal Participants will receive in accordance with their Election (or deemed Election):
  - – Standard Consideration, being $0.8229 cash and 0.4240 DEXUS Securities for each IOF Unit held at the Record Date (on the terms as described in Section 5.4(a) of the Explanatory Memorandum);
  - – Maximum Cash Consideration (all Proposal Consideration in cash (subject to scale-back) on the terms as described in Section 5.4(b) of the Explanatory Memorandum); or
  - – Maximum Scrip Consideration (all Proposal Consideration in new DEXUS Securities (subject to scale-back) on the terms as described in Section 5.4(c) of the Explanatory Memorandum);
- to the extent a Proposal Participant has not made an Election by 5:00pm (Sydney time) on the Election Date (expected to be Wednesday, 20 April 2016) or has made an invalid Election or becomes an IOF Unitholder after the Election Date, they will be deemed to have elected the Standard Consideration;
- Eligible IOF Unitholders will become entitled to receive the Proposal Consideration which they have elected, or been deemed to have elected, subject to the terms of any scale-back.
- Ineligible Overseas Unitholders and Electing Minimum Holders may also make an Election for Standard Consideration, Maximum Cash Consideration or Maximum Scrip Consideration on the same terms as Eligible IOF Unitholders. However they will receive cash instead of any DEXUS Securities which they would otherwise be entitled to receive (including to the extent they have made an Election, or been deemed to have made an Election, to receive DEXUS Securities, through the Sale Facility.) See Sections 5.4(d) and 5.4(e) of the Explanatory Memorandum for further detail.
- IOF Unitholders should note that the provision of Proposal Consideration, including any scale-back for Maximum Cash Consideration or Maximum Scrip Consideration, will be based on a fixed price for DEXUS Securities being the DEXUS Reference Price and a fixed offer value per IOF Unit being the Implied Announcement Value. For example, to the extent an IOF Unitholder who selects Maximum Cash Consideration is subject to scale-back, the component of the Implied Announcement Value which cannot be satisfied in cash will be satisfied in DEXUS Securities provided at the DEXUS Reference Price. To the extent that DEXUS Securities trade below or above the DEXUS Reference Price, IOF Unitholders may wish to take this into account in making their Elections as the implied value of the Proposal Consideration is impacted by the value of DEXUS Securities from time to time.

Election Forms must be received by Link Market Services Limited at an address shown below no later than 5:00pm (Sydney time) on Wednesday, 20 April 2016. You should allow sufficient time for this to occur. The postal acceptance rule does not apply. You may wish to consult your investment, financial, taxation or other professional adviser about the best decision for you having regard to your own particular circumstances.

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

B Contact Details

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

C Signature(s)

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

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

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

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

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

Lodgement of Election Form

Duly completed and executed Election Forms must be received at the IOF Registry by no later than 5:00pm (Sydney time) on Wednesday, 20 April 2016. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for IOF Unitholders in Australia. Overseas IOF Unitholders will need to affix the appropriate postage. Return your Election Form to either of the addresses listed below, in the manner provided.

POSTAL DELIVERY

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

HAND DELIVERY

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

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

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