



IOF

NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

Investa Office Fund comprising
Armstrong Jones Office Fund (ARSN 090 242 229) and
Prime Credit Property Trust (ARSN 089 849 196)

The Independent Directors of Investa
Listed Funds Management Limited, the
responsible entity of Investa Office Fund,
UNANIMOUSLY RECOMMEND that IOF
Unitholders vote in favour of the Resolution

MEETING DETAILS

Time: 10:00am (Sydney time)
Date: Wednesday, 31 May 2017
Place: Times on the Park Room
Sheraton on the Park
161 Elizabeth Street
Sydney NSW 2000

GUIDE TO THE CONTENT OF THIS MEETING BOOKLET



This Meeting Booklet includes the following documents:

NOTICE OF MEETING AND EXPLANATORY MEMORANDUM
in relation to the Proposal, divided into the following sections:

1	Letter from the Chairman
2	Key dates, location of Meeting and what to do next
3	Answers to key questions
4	Explanatory Memorandum
Annexure A	Independent Expert's Report
Annexure B	Australian Taxation Report
Annexure C	Notice of Meeting
Annexure D	Summary of material contracts
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Corporate Directory	
A Proxy Form accompanies this Meeting Booklet	

LETTER FROM THE CHAIRMAN

8 May 2017

Dear IOF unitholder

You are being asked to consider and vote on a proposal to acquire a 50% shareholding on a joint venture basis in Investa Office Management Pty Limited (**IOM** or the **Management Platform**), a specialist office management platform managing over \$10 billion of high quality Australian office real estate including the management of IOF. If implemented, the proposal would result in management of the assets of IOF being partially internalised, with IOF unitholders also acquiring an indirect 50% interest in the management rights relating to the Investa Commercial Property Fund (**ICPF Fund**) portfolio and Private Mandates portfolios currently managed by IOM. The rights and interests in the Management Platform would be governed by a joint venture agreement containing the usual protections for 50% shareholding interests.

In March 2011, the management rights of IOF were acquired by Investa Property Group (then controlled by Morgan Stanley Real Estate Investing (**Morgan Stanley**) from ING Real Estate Investment Management and IOF was granted a path to future internalisation with a right to acquire a 50% interest in the Management Platform upon the gross value of IOF's commercial office assets exceeding \$3.5 billion.

In March 2016, Investa Property Group, now comprising ICPF Fund and ICPF Holdings Limited (**ICPF**), then acquired the Management Platform from Morgan Stanley. IOF's right to acquire 50% of the Management Platform was preserved.

In August 2016, the value of IOF's commercial office assets exceeded \$3.5 billion and ICPF offered a 50% interest in the Management Platform for \$45 million plus other agreed adjustments, provided completion took place before the end of February 2017. ICPF subsequently agreed to extend this date to the end of May 2017 and has effectively agreed a further extension by its subsidiary signing the Share Purchase Agreement.

As previously announced to IOF unitholders, an operational and governance review was undertaken to assess how IOF works with the Management Platform, with a view to optimising the benefits for IOF unitholders. This review enabled the Independent Directors to consider IOF's right to purchase a 50% interest in the Management Platform.

The Independent Directors concluded:

- 1) IOF is strongly identified in the market and by its tenants with Investa Property Group and the Management Platform.
- 2) The association with IOM has benefited IOF, with IOF achieving superior performance on a cost effective basis under IOM management.
- 3) From a governance perspective, the joint venture provides an opportunity to ensure independence of the board of ILFML and its ability to set and implement the strategic direction for IOF with the Management Platform.

Your Independent Directors believe that a true joint venture with the usual protection of 50% shareholding interests will facilitate greater alignment of the Management Platform with IOF's strategic objectives, while securing a half-interest in the Management Platform for the benefit of IOF unitholders.

LETTER FROM THE CHAIRMAN

Although the purchase price is not material in the context of the size of IOF, the acquisition of 50% of the Management Platform is also expected to be accretive to FY17 pro forma FFO and is expected to provide enhanced growth opportunities.

You will know from previous announcements that IOF has received from Cromwell Property Group (**Cromwell**) two non-binding, indicative and incomplete proposals seeking due diligence which might lead to an offer to acquire all the units in IOF. The Independent Directors have granted due diligence to Cromwell to assist its efforts to put forward a proposal capable of consideration. However, at this stage, there is nothing to put before IOF unitholders. The Independent Directors therefore believe it is in the best interests of IOF unitholders that the Management Platform joint venture be progressed. There is nothing in the proposal being put to IOF unitholders which would preclude Cromwell or any other party putting forward a proposal for consideration prior to the IOF unitholder meeting to consider this proposal, or even following implementation of the proposed joint venture.

Full details of the arrangements for the Management Platform joint venture and the related restructure, including matters which you should consider, are included in this Notice of Meeting and Explanatory Memorandum and I ask you to read these carefully. There is also a report by an Independent Expert commissioned by the Board stating that the purchase price of the proposed acquisition is fair and reasonable to IOF unitholders that are not associated with IOM, and is on arm's length terms.

Your Independent Directors are unanimously recommending you vote in favour of the Resolution contained in this Notice of Meeting. The various ways you can cast your vote are set out in this Notice of Meeting and Explanatory Memorandum.

Yours sincerely



Richard Longes

Chairman

INVESTA LISTED FUNDS MANAGEMENT LIMITED

KEY DATES, LOCATION OF MEETING AND WHAT TO DO NEXT

KEY DATES

Event	Date and time
Date of this Explanatory Memorandum	Monday, 8 May 2017
Time and date by which Proxy Forms must be received	10.00am on Monday, 29 May 2017
Voting Record Date – time and date for determining eligibility to vote at the Meeting	7.00pm on Monday, 29 May 2017
Meeting date and time	10.00am on Wednesday, 31 May 2017
If the Proposal is approved by IOF Unitholders and all other conditions precedent set out in section 5.4(a) are fulfilled or waived, the following key dates apply	
Last day of trading in Existing Securities	Thursday, 1 June 2017
New Stapled Securities commence trading on the ASX on a deferred settlement basis	Friday, 2 June 2017
Transaction Record Date	7.00pm on Monday, 5 June 2017
Issue of New Stapled Securities	Tuesday, 13 June 2017
Sale facility agent procures sale of New Stapled Securities under Sale Facility	Tuesday, 13 June 2017
New Stapled Securities commence trading on the ASX on a normal T+2 settlement basis	Wednesday, 14 June 2017

Dates and times are indicative only and are subject to change. Unless otherwise specified, all times and dates refer to Sydney time. Any changes to the timetable will be notified to the ASX and made available on the website at <https://www.investa.com.au/funds/iof/asx-media>.

LOCATION OF MEETING

Times on the Park Room
Sheraton on the Park
161 Elizabeth Street
Sydney NSW 2000

TIME AND DATE

10.00am (Sydney time), Wednesday, 31 May 2017

WHAT TO DO NEXT



STEP 1 CAREFULLY READ THIS EXPLANATORY MEMORANDUM IN FULL

You should read this Explanatory Memorandum in full. It contains important information to assist you in deciding how to vote.

It is important that you consider the information disclosed in light of your own particular circumstances.

The 'Answers to key questions' beginning on page 09 may help answer some of your questions.

If you have any doubts about what action to take, you should consult an independent and appropriately licensed and authorised professional adviser before deciding how to vote at the Meeting.

If you have any questions about your Existing Securities or any matter contained in these documents, contact the IOF Unitholder Information Line on +61 1300 851 394, between 8:30am and 5:30pm Monday to Friday (Sydney time).



STEP 2 VOTE ON THE RESOLUTION

YOUR VOTE IS IMPORTANT

If you are an IOF Unitholder on the Voting Record Date you are entitled to vote on the Resolution at the Meeting (unless you are subject to a voting exclusion set out in section 7.3, in which case you may be precluded from voting or your vote may be disregarded).

The Resolution will be passed if more than 50% of the total number of votes cast on the Resolution (by IOF Unitholders entitled to vote) are cast in favour of the Resolution.

If you are unable to attend the Meeting in person, you may appoint a proxy to vote your Existing Securities on your behalf. If you wish to appoint a proxy, you need to complete the Proxy Form enclosed with this Explanatory Memorandum and your Proxy Form must be received at the address indicated on the form by no later than 10.00am (Sydney time) on Monday, 29 May 2017. Instructions for completing and returning your Proxy Form are set out in Annexure C of this Explanatory Memorandum.

Please refer to the voting instructions in Annexure C of this Explanatory Memorandum, where the options for voting on the Resolution are set out in full.

The Independent Expert has concluded that the Purchase Price for the 50% IOM Acquisition is fair and reasonable to IOF Unitholders that are not associated with IOM, and the 50% IOM Acquisition is on arm's length terms.

The Independent Directors unanimously recommend that IOF Unitholders vote in favour of the Resolution.

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IMPORTANT NOTICES & DISCLAIMER

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 Existing Securities, please ignore this Explanatory Memorandum.

If you are in doubt as to what you should do, you should consult an independent and appropriately licensed and authorised professional adviser.

Purpose of this Explanatory Memorandum

This Explanatory Memorandum is issued by Investa Listed Funds Management Limited (ABN 37 149 175 655) (**ILFML**) in its capacity as responsible entity of Armstrong Jones Office Fund (ARSN 090 242 229) (**AJO Fund**) and Prime Credit Property Trust (ARSN 089 849 196) (**PCP Trust**), the entities comprising the Investa Office Fund (**IOF**), other than section 6 of this Explanatory Memorandum which is issued by IOF Limited (ACN 618 652 770) (**Newco**) as issuer of the Newco Shares.

This Explanatory Memorandum includes:

- an explanatory memorandum relating to the Proposal to be considered at the Meeting of IOF Unitholders;
- a prospectus relating to the issue of Newco Shares under Part 6D.2 of the Corporations Act (in section 6 of this Explanatory Memorandum);
- Notice of the Meeting of IOF Unitholders to be held at 10.00am (Sydney time) on Wednesday, 31 May 2017 at Times on the Park Room, Sheraton on the Park, 161 Elizabeth Street, Sydney NSW 2000. The Notice of Meeting can be found in Annexure C of this Explanatory Memorandum;
- the Independent Expert's Report set out in Annexure A of this Explanatory Memorandum; and
- the Australian Taxation Report set out in Annexure B of this Explanatory Memorandum.

This Explanatory Memorandum provides information to assist IOF Unitholders in considering how to vote in relation to the proposed acquisition of a 50% interest in Investa Office Management Pty Ltd (**IOM** or the **Management Platform**) from Investa Office Management Holdings Pty Limited (**IOMH**), a subsidiary of ICPH. The acquisition will be effected by IOF procuring that a wholly owned subsidiary of Newco, IOF Holdings Pty Limited (ACN 618 708 615) (**Newco Acquirer**), acquires 50% of the Management Platform. Newco Acquirer and IOMH will enter into a Joint Venture Agreement with respect to the governance of IOM as a co-owned entity.

In connection with the acquisition of 50% of IOM, shares in Newco will be issued to eligible IOF Unitholders and stapled to the existing IOF securities (being units in the AJO Fund and PCP Trust) in a ratio of 1:1:1.

The acquisition of 50% of IOM and the related restructure involving the issue and stapling of Newco Shares are together referred to in this Explanatory Memorandum and Notice of Meeting as the **Proposal**.

The Explanatory Memorandum has been prepared on the basis of certain transaction documents, the terms of which are summarised in Annexure D of this Explanatory Memorandum.

Approval of IOF Unitholders

The Proposal will only be implemented if the Resolution is passed by more than 50% of the total number of votes cast on the Resolution (by IOF Unitholders entitled to vote) being cast in favour of the Resolution.

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 outside Australia.

A copy of this Explanatory Memorandum was lodged with the ASX and with ASIC on 8 May 2017. Neither ASIC, ASX nor any of their officers takes any responsibility for the contents of this Explanatory Memorandum.

Newco applied for admission to the official list of ASX Limited and for quotation of New Stapled Securities on 4 May 2017.

The fact that the ASX may admit Newco to the official list of the ASX does not mean that ASX makes any statement regarding, and shall not be taken in any way as an indication of, the merits of an investment in Newco or the New Stapled Securities.

This Explanatory Memorandum may be updated. Any updates will be available for inspection on the website at <https://www.investa.com.au/funds/iof/asx-media>. If you access an electronic version of the Explanatory Memorandum you should ensure you download and read the entire Explanatory Memorandum.

Responsible Entity

ILFML is the responsible entity of the AJO Fund and PCP Trust. The AJO Fund and PCP Trust 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 ILFML in its capacity as responsible entity of the AJO Fund and PCP Trust.

Responsibility statement

Except as outlined below, the information contained in this Explanatory Memorandum has been provided by ILFML and is its responsibility alone.

Newco is responsible only for the information contained in section 6 of this Explanatory Memorandum.

IOM has provided and is responsible for the IOM Information. Neither ILFML, Newco, nor any of their Controlled Entities, directors, officers or advisers assume any responsibility for the accuracy or completeness of the IOM Information.

Deloitte has prepared the Independent Expert's Report (as set out in Annexure A of this Explanatory Memorandum) and takes responsibility for that report.

Allens has prepared the Australian Taxation Report (as set out in Annexure B 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.

No investment advice

This Explanatory Memorandum contains general financial product advice only and has been prepared without taking account of the investment objectives, financial situation, tax position or particular needs of any IOF Unitholder or any other person. The information and recommendations contained in this Explanatory Memorandum and the Australian Taxation Report at Annexure B to this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice.

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

Your investment in IOF is subject to investment and other risks, including possible loss of income and principal invested. ILFML gives no guarantee or assurance as to the performance of IOF, the Existing Securities or the repayment of capital. Past performance is not indicative of future performance.

If the Proposal is implemented, your investment in IOF will be subject to investment and other risks, including loss of principal invested. ILFML gives no guarantee or assurances as to the performance of IOF or the New Stapled Securities.

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 a forecast or prediction 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', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words.

IMPORTANT NOTICES & DISCLAIMER

Similarly, statements that describe the objectives, plans, goals or expectations of IOF, Newco or IOM are or may be forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties.

Those risks and uncertainties include factors and risks specific to the industries in which IOF, Newco and IOM operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of ILFML, Newco, IOF, IOM, their officers, 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.

This Explanatory Memorandum also contains forward looking statements based on the current expectations of ILFML about future events, including pro forma forecast statements of financial performance for the period ending 30 June 2017. The prospective information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective information.

Factors which may affect future financial performance include those risks identified in section 2.3, the assumptions not proving correct and other matters not currently known to, or considered by, ILFML. IOF Unitholders should note that the historical financial performance of IOF or IOM is no assurance or indicator of future financial performance of IOF or IOM (whether or not the Proposal proceeds). ILFML and Newco do not guarantee any particular rate of return or the performance of IOF or Newco, nor do they guarantee the repayment of capital or any particular tax treatment in respect of any investment in IOF or Newco.

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 ASX Listing Rules or the Corporations Act each of ILFML, Newco, and each of their respective officers disclaim any obligation to 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 them or any change in events, conditions or circumstances on which any such statement is based.

Foreign jurisdictions

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

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

Privacy

ILFML and Newco may collect personal information in the process of implementing the Proposal. The type of information that they may collect about you includes your name, contact details and information on your unitholding in IOF and shareholding in Newco 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 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 Link Market Services Limited, 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 Newco, 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 ILFML, please contact the IOF Unitholder Information Line on +61 1300 851 394, between 8:30am and 5:30pm Monday to Friday (Sydney time).

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

Glossary

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary in section 9.

Currency and financial information

Unless stated otherwise, all references to dollars, \$, cents or c in this Explanatory Memorandum are to Australian currency.

Unless stated otherwise or implied, references to dates or years are financial year references. All financial and operational information contained in this Explanatory Memorandum is current as at the date of this Explanatory Memorandum unless otherwise specified.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at 31 December 2016.

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 times and dates in Australian Eastern Standard Time, being the time in Sydney, Australia, 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.

Additional information

If, after reading this Explanatory Memorandum, you have any questions regarding the Proposal, please call the IOF Unitholder Information Line on +61 1300 851 394, between 8:30am and 5:30pm Monday to Friday (Sydney time), or consult an independent and appropriately licensed and authorised professional adviser.

Date of Explanatory Memorandum

This Explanatory Memorandum is dated 8 May 2017.

ANSWERS TO KEY QUESTIONS



ANSWERS TO KEY QUESTIONS

Question	Answer	Where to find more information
THE PROPOSAL		
1 What is the Proposal?	<p>The Proposal involves the acquisition of 50% of IOM for a purchase price of \$45 million, adjusted for working capital and other agreed reimbursement adjustments by way of a customary working capital adjustment using completion accounts. As part of the acquisition, Newco Acquirer and IOMH will enter into a Joint Venture Agreement with respect to the governance of the Management Platform.</p> <p>In connection with the Proposal, IOF will implement a group restructure, including a Capital Distribution, and the shares of a new Australian public company will be stapled to the units of the Existing IOF Entities.</p> <p>If implemented, all IOF Unitholders will receive an equivalent number of New Stapled Securities to the number of Existing Securities held by them as at the Transaction Record Date, with the exception of Foreign Holders, whose Existing Securities (and the Newco Shares to which they would otherwise be entitled) will be sold via a sale facility. Foreign Holders will receive the proceeds of that sale less withholding or other tax, if any is applicable.</p> <p>ILFML (the responsible entity of IOF) and Investa Wholesale Funds Management Limited (IWFML) (the responsible entity of Investa Commercial Property Fund (ICPF Fund)) are related parties as both are subsidiaries of IOM. As a result, IWFML, in its capacity as responsible entity of ICPF Fund, and its related bodies corporate, will be precluded from voting their 8.94% interest in IOF in favour of, or against, the Resolution.</p> <p>Under the proposed 50% IOM Acquisition, IOMH will sell 50% of IOM. As ILFML is a subsidiary of IOM, and ILFML is the responsible entity of IOF, the relevant entities are related parties under the Corporations Act. No related party transaction approval is being sought as the Independent Directors formed the view that the proposed 50% IOM Acquisition is on arm's length terms and have obtained an Independent Expert's Report which concludes that the 50% IOM Acquisition is on arm's length terms.</p>	<p>Section 1.1 and section 5.</p> <p>The terms of the transaction documents relating to the 50% IOM Acquisition are summarised in Annexure D.</p> <p>Foreign Holders should read questions 10 and 11 below and sections 5.9, 8.6 and 8.7 for further information.</p> <p>For further information on the voting exclusion that applies to IWFML (in its capacity as responsible entity of the ICPF Fund) and its associates, refer to section 7.3.</p>
2 Why is this Meeting required?	The constitutions of AJO Fund and PCP Trust confer broad powers on ILFML, as responsible entity, to take actions to implement IOF's determined strategies. However, certain of these powers are only triggered in relation to proposals that have been approved by an ordinary resolution of IOF Unitholders. As a result, the Meeting has been convened to seek IOF Unitholders' approval to implement the Proposal.	Section 7.1.
3 Do the Independent Directors recommend the Proposal?	The Independent Directors have concluded that the Proposal is in the best interests of IOF Unitholders and unanimously recommend that IOF Unitholders vote in favour of the Resolution.	Section 2.1(a).
4 What is the conclusion of the Independent Expert?	The Independent Expert has concluded that the Purchase Price for the 50% IOM Acquisition is fair and reasonable to IOF Unitholders that are not associated with IOM, and the 50% IOM Acquisition is on arm's length terms.	Section 2.1(b).
5 Why you may choose to vote in favour of the Proposal	<p>You wish to participate in the benefits the Proposal could offer to IOF Unitholders:</p> <ul style="list-style-type: none"> – implementation of the Proposal would result in IOF owning an interest in one of Australia's largest specialist office groups thereby strengthening IOF's market position; – the Proposal is expected to be accretive to IOF Unitholder value (by providing an expected 0.2 cents per unit accretion, on an annualised basis, to IOF's pro forma incremental FY17 FFO); 	Sections 1.2 and 2.1.

ANSWERS TO KEY QUESTIONS

Question	Answer	Where to find more information
5 Why you may choose to vote in favour of the Proposal <i>continued</i>	<ul style="list-style-type: none"> – IOF's performance under IOM's portfolio management has been strong, including having generated an annualised IOF unitholder return of 18.3% since April 2011. A true joint venture structure and 50% ownership of IOM will allow influence over the strategic direction of the Management Platform and will allow greater alignment of the Management Platform to IOF's strategic vision; – following implementation of the Proposal, IOF will have greater ability to work with the IOM management team dedicated to its business to implement IOF's strategic vision; and – acquisition of a 50% interest in the Management Platform offers the potential for incremental growth opportunities and additional diversified income streams. <p>The Independent Expert has determined that the Purchase Price for the 50% IOM Acquisition is fair and reasonable to IOF Unitholders that are not associated with IOM, and the 50% IOM Acquisition is on arm's length terms.</p> <p>Your Independent Directors recommend that you vote in favour of the Proposal.</p>	
6 Why you may choose to vote against the Proposal	<p>You may believe that the risks and disadvantages of the Proposal outweigh the benefits offered by the Proposal. The key risks and potential disadvantages of the Proposal are set out in section 2.3 of this Explanatory Memorandum and include:</p> <ul style="list-style-type: none"> – if the Proposal is implemented, part of the Post Proposal IOF Group's FFO will be derived in part from management fee income of IOM. Management fees earned by IOM may be affected by a number of factors affecting investment and property management businesses, including changes in the number of assets under management, leases undertaken and the size of the development pipeline. However, the majority of the Post Proposal IOF Group's FFO will continue to be derived from rental income earned from property investment (approximately 99% of FFO, on a pro forma basis for the year ending 30 June 2017);¹ – IOM is the fund manager and property manager for ICPF Fund, which is an open-ended wholesale fund with a full liquidity event every 10 years. The next event is in March 2020 and provides the ability for ICPF Fund's investors to redeem part or all of their investment in ICPF Fund. This could result in a reduction in ICPF Fund's assets under management or ICPF Fund being wound up despite its current strong performance and queue of equity seeking investment in the fund. This in turn would affect the fee revenue derived by IOM from ICPF Fund. <p>As above, the impact of this occurring is not considered material as the majority of the Post Proposal IOF Group's FFO will continue to be derived primarily from rental income earned from property investment. In addition, the joint venture terms include protections for a shareholder should the other shareholder's funds under management fall below \$1.5 billion – see section 1.2;</p> <ul style="list-style-type: none"> – increased financial risk associated with exposure to changes in interest rates (as a result of IOF's gearing ratios being increased by reason of it drawing down its existing debt facilities to cover payment of the Purchase Price and transaction costs – noting that the implementation of the Proposal will only increase gearing by 1.6%); – the financial benefits from the Proposal not being realised to the extent expected; – there being no certainty of the impact of the Proposal on the price of New Stapled Securities; – the value of the NTA of IOF is expected to reduce by 1.6%, from \$4.49 as at 31 December 2016 to \$4.42 on a pro forma basis. However, the NAV of IOF is not expected to be materially impacted; 	<p>Sections 2.2 and 2.3.</p> <p>For the Australian Taxation Report, refer Annexure B.</p>

1) For further information on IOF pro forma incremental FY17 FFO, please refer to section 4.

ANSWERS TO KEY QUESTIONS

Question	Answer	Where to find more information
6 Why you may choose to vote against the Proposal <i>continued</i>	<ul style="list-style-type: none"> – the conditions precedents to the Proposal (see section 5.4) not being satisfied or waived, such that the Proposal cannot proceed; and – the conditions precedent to the 50% IOM Acquisition (as described in Annexure D) may not be satisfied or waived such that the 50% IOM Acquisition does not proceed. If the New Stapled Securities have then been issued, IOF Unitholders will hold New Stapled Securities (comprising a Newco Share, an AJO Unit and PCP Unit) but Newco will not own (via Newco Acquirer) 50% of IOM. In these circumstances, Newco and Newco Acquirer would have the funds received from the subscription for the Newco Shares but would not otherwise have the funds expected to be derived from IOM's management fee income to support the administration costs of Newco and Newco Acquirer. The Board of Newco would assess how to productively use the funds received from the subscription for the Newco Shares, including for example, by advancing funds on arm's length terms to the Existing IOF Entities or to undertake a capital return. <p>You may also believe that the impact on your personal taxation position outweighs the benefits of the Proposal. An Australian Taxation Report has been included at Annexure B of this Explanatory Memorandum, however you should seek independent taxation advice that takes account of your personal circumstances.</p> <p>If you are a Foreign Holder, you may choose to vote against the Proposal if you do not wish to cease holding securities in IOF. Foreign Holders should refer to question 11 below for more information.</p>	<p>Sections 2.2 and 2.3.</p> <p>For the Australian Taxation Report, refer Annexure B.</p>
7 What are the alternatives to the Proposal?	<p>Remaining 100% externally managed: As part of the governance and operational review, the Independent Directors considered maintaining IOM as external manager of IOF. However, this would not offer the benefits of a true joint venture, nor would it secure the Management Platform for the benefit of IOF Unitholders as effectively as part ownership achieves.</p> <p>100% internalisation: Given the size of IOF's portfolio, a standalone internalisation is considered to be not economic and could result in a reduction in the quality of service that IOF currently enjoys through IOM.</p> <p>Potential control transaction: IOF has received from Cromwell Property Group two non-binding, indicative and incomplete proposals seeking due diligence which might lead to an offer to acquire all the units in IOF. The Board has granted due diligence to Cromwell but at this stage there is nothing to put before IOF Unitholders and the Board therefore believes it is in the interests of IOF Unitholders to consider the Management Platform joint venture proposal. There is nothing in the joint venture arrangements which would preclude Cromwell or any other party making an offer now or at a future date.</p> <p>The Independent Directors will consider any alternative proposal received prior to the Meeting and provide information to IOF Unitholders as necessary.</p>	<p>Letter from the Chairman (pages 01 and 02) and section 2.4.</p>
8 What happens if the Proposal is not approved?	<p>If the Proposal is not approved:</p> <ul style="list-style-type: none"> – IOF Unitholders will continue to own an IOF stapled security comprising an AJO Unit stapled to a PCP Unit, which will continue to trade on the ASX as a single stapled security. IOF would continue to be managed by ILFML as its responsible entity in the best interests of IOF Unitholders. – Newco Shares will not be issued to IOF Unitholders or stapled to the existing IOF stapled securities; – IOM will remain 100% owned by IOMH, and ILFML will continue to pay management fees to IOM in future periods; 	<p>Sections 1.1 and 1.3.</p>

ANSWERS TO KEY QUESTIONS

Question	Answer	Where to find more information
8 What happens if the Proposal is not approved? <i>continued</i>	<ul style="list-style-type: none"> – ILFML will still incur fees relating to the Proposal, of approximately \$2.3 million; and – IOF Unitholders will not receive the anticipated benefits from implementation of the Proposal. <p>IOF has a right to acquire 50% of the Management Platform following IOF being notified that the gross asset value of its commercial office assets equalled or exceeded \$3.5 billion, which occurred on 12 August 2016 when IOF received a Certificate of Valuation from the Management Platform. IOF has until 11 August 2017 to determine to notify IOMH that it is willing to purchase the 50% stake in IOM. If the Proposal is not approved, the Board of ILFML would assess whether to pursue a further transaction.</p>	
9 Do I need to pay any cash consideration under the Proposal?	IOF Unitholders are not required to pay any cash consideration for the Newco Shares or to complete any application forms. Instead, the Capital Distribution to be made as part of the Proposal will be applied by ILFML, on behalf of IOF Unitholders, in payment of the issue price for the Newco Shares that are to be issued to IOF Unitholders or, in the case of Foreign Holders, to the Sale Nominee.	Section 6.2.
10 Will my interest as a Unitholder change on implementation of the Proposal?	<p>Following implementation of the Proposal, each eligible IOF Unitholder will hold the same number of New Stapled Securities as the Existing Securities held by them at 7:00pm on Monday, 5 June 2017.</p> <p>Foreign Holders should read the next question.</p>	<p>Section 5.2.</p> <p>For Foreign Holders, question 11 below and sections 8.6 and 8.7.</p>
11 What if I am a Foreign Holder?	<p>Newco Shares will not be issued to any IOF Unitholder whose registered address is outside Australia.</p> <p>If you are a Foreign Holder, your Existing Securities (to which will be stapled a Newco Share that you would otherwise be entitled to under the Proposal) will be sold under the Sale Facility and you will receive the net proceeds of that sale.</p> <p>Alternatively, you may prefer to sell your Existing Securities on or before the last day of ASX trading in the Existing Securities, which is expected to be Thursday, 1 June 2017.</p>	Sections 8.6 and 8.7.
12 What are the taxation implications of the Proposal?	<p>A general summary of the Australian taxation implications of the Proposal for Australian resident and non-resident IOF Unitholders is set out in the Australian Taxation Report at Annexure B of this Explanatory Memorandum.</p> <p>You should seek independent professional advice on the consequences of your participation in the Proposal based on your particular circumstances. If you are a Foreign Holder, you should seek advice on the taxation implications of the Proposal in your local jurisdiction.</p>	Section 5.8.
13 What costs are being incurred in connection with the Proposal?	<p>ILFML anticipates that transaction costs of up to approximately \$3.2 million will be incurred as a result of implementation of the Proposal. Transaction costs include advisory costs and other implementation costs.</p> <p>If the Proposal does not proceed, ILFML anticipates that its transaction costs will be up to \$2.3 million.</p>	Section 8.4.
14 How is the transaction being funded?	The 50% IOM Acquisition and transaction costs incurred as a result of implementation of the Proposal will be 100% debt funded, by IOF drawing down on its existing debt facilities. This will result in a 1.6% increase in IOF's gearing.	Section 4.11.

ANSWERS TO KEY QUESTIONS

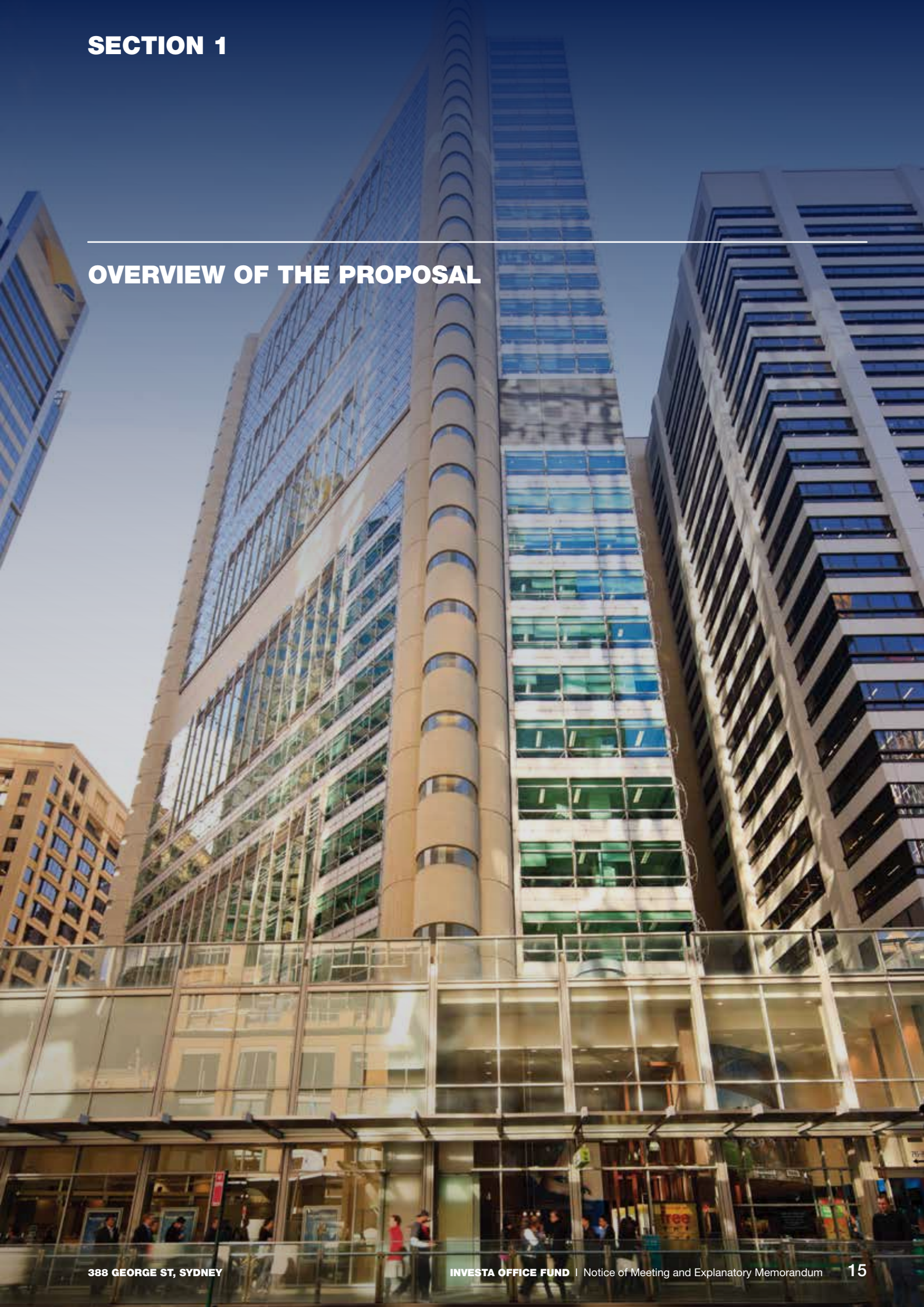
Question	Answer	Where to find more information
15 What are the key conditions to the Proposal proceeding?	<p>The Proposal is subject to a number of conditions precedent and will not proceed unless all those conditions are satisfied or waived. Refer to section 5.4(a) of this Explanatory Memorandum for further information.</p> <p>Completion of the 50% IOM Acquisition is subject to the conditions precedent in the Share Purchase Agreement, which are summarised at Annexure D.</p>	<p>Section 5.4(a).</p> <p>Annexure D</p>
16 Who will be the management team of IOM if the Proposal is implemented?	<p>IOF expects to retain IOM's existing organisational structure and senior management team in substantially the same form following the implementation of the Proposal.</p> <p>If the Proposal is implemented, Newco Acquirer will have influence in relation to the appointment of senior IOM executives and will have veto rights over the appointment of the IOM key staff who will be dedicated to IOF.</p>	Section 3.12 and 3.13.
17 Who will sit on the Board of IOM if the Proposal is implemented?	<p>The Board of IOM will comprise 6 directors (inclusive of the Chair), made up of two nominee directors appointed by each shareholder and two executive directors.</p> <p>The initial Chair (who will not have a casting vote) will be Rebecca McGrath (an IOMH nominee director), for a term of three years.</p> <p>All shareholder reserved matters will be referred to the shareholders.</p>	For further information on the IOM governance post implementation of the Proposal, refer to section 1.2.
18 When is the Proposal expected to be implemented?	<p>The implementation of the Proposal is conditional upon satisfaction of a number of conditions precedent, including the Proposal being approved by IOF Unitholders.</p> <p>If the conditions precedent to implementation of the Proposal are satisfied or waived, the Proposal is expected to be implemented in accordance with the timeline set out in the key dates section on page 03.</p>	For further information on the conditions precedent to implementation of the Proposal, refer to section 5.4(a).
19 What happens if there is a control transaction for IOF after the Proposal is implemented?	<p>Following implementation of the Proposal and completion of the 50% IOM Acquisition, the Joint Venture Agreement will apply in relation to the Management Platform. Under the Joint Venture Agreement, each shareholder will have the ability to call the other shareholder's shares if (among other matters) there is a change of control of the shareholder (including a change in beneficial ownership) or removal of that shareholder's responsible entity. The pricing mechanism for the call option will be calculated based on 50% of the fair market value; plus 50% of working capital (with a customary adjustment mechanism); less 100% of the scale down costs. As a result, in the event of a potential acquisition of IOF by a third party, if the call option is exercised, the consideration receivable by the third party bidder for their share of the Management Platform may be reduced to reflect the mechanism for scale down costs. Whilst immaterial given the size of IOF, this may be a disincentive to a potential bidder for IOF.</p> <p>It should also be noted that as part of negotiating the Management Proposal, the Independent Directors secured the agreement of IOMH that, in the event there is a change of control of IOF, or ILFML is removed as the responsible entity of IOF, IOMH must use all reasonable endeavours to arrange the orderly transfer of records and data relating to IOF as if a facilitation fee had been paid and the transaction was being recommended. The effect of this is that the records and data of the Management Platform relating to IOF are effectively owned by IOF Unitholders. To the extent those records and data have value that may otherwise have been the subject of a facilitation fee paid by a third party to the Management Platform, that value may be available for the benefit of New Stapled Securityholders in any future transaction.</p>	For further information on the call option, see section 1.2 and item 10 of the summary of the Joint Venture Agreement in Annexure D.

ANSWERS TO KEY QUESTIONS

Question	Answer	Where to find more information
THE MEETING		
20 What do I need to do?	Please read the Explanatory Memorandum in full before making any decision as to how to vote (whether in person, by corporate representative or by proxy) at the Meeting.	Refer to page 04 for information on what to do next.
21 When and where is the Meeting to be held?	The Meeting will be held at 10.00am (Sydney time) on Wednesday, 31 May 2017 at Times on the Park Room, Sheraton on the Park, 161 Elizabeth Street, Sydney NSW 2000.	Notice of Meeting (Annexure C).
22 How do I vote?	You may vote in person, by corporate representative or by proxy at the Meeting.	Refer to page 04 for further information. The Proxy Form is at Attachment 1.
23 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. Your vote in favour will support the Resolution being passed and allow the Proposal to be implemented.	Chairman's letter and page 5.
24 What is the required majority for the Proposal to be approved?	The Resolution will be passed if more than 50% of the total number of votes cast on the Resolution (by IOF Unitholders entitled to vote) are cast in favour of the Resolution.	Section 7.1.
25 Who is and is not entitled to vote?	All IOF Unitholders on the register of IOF Unitholders as at 7:00pm (Sydney time) on Monday, 5 June 2017 are entitled to attend the Meeting and vote on the Resolution, except persons excluded by reason of a voting exclusion. A voting exclusion applies in accordance with section 253E of the Corporations Act in respect of the responsible entity of a registered scheme (ILFML) and its associates if they have an interest in the Resolution or matter other than as a member. IWFML (as responsible entity for ICPF Fund), together with its related bodies corporate, holds 8.94% of the Existing Securities as at the date of this Explanatory Memorandum. As IWFML and ILFML are associates, given both entities are subsidiaries of IOM, IWFML and its related bodies corporate will not be able to vote their interest for or against the Resolution at the Meeting.	Section 7, Notice of Meeting (Annexure C).
26 Where do I send my proxy form to, and by when?	If you are unable to attend the Meeting in person, you may appoint a proxy to vote your securities on your behalf. If you wish to appoint a proxy, you need to complete the Proxy Form enclosed with this Explanatory Memorandum and it must be received by no later than 10.00am (Sydney time) on Monday, 29 May 2017. Details on how to return the Proxy Form are set out in the Proxy Form at Attachment 1.	Refer to page 04 for further information. The Proxy Form is at Attachment 1.
27 Any other questions?	If you have any questions in relation to the Proposal, please contact the IOF Unitholder Information Line on +61 1300 851 394, between 8:30am and 5:30pm Monday to Friday (Sydney time), or consult an independent and appropriately licensed and authorised professional adviser.	Corporate Directory, page 117.

SECTION 1

OVERVIEW OF THE PROPOSAL



OVERVIEW OF THE PROPOSAL

SECTION 1

1.1 SUMMARY OF THE PROPOSAL

Current structure of the Management Platform

The Management Platform is currently externally owned and managed by ICPF, which acquired the rights to the Management Platform from Morgan Stanley in March 2016.

Further detail on the current operational and management structure of IOM is set out in section 3 of this Explanatory Memorandum.

Right to acquire 50% of IOM

As part of the 2011 Transaction, when Investa Property Group (then controlled by Morgan Stanley) acquired the management rights of IOF from ING, IOF obtained the right to acquire 50% of the Management Platform once IOF was notified that the gross asset value of its commercial office assets equalled or exceeded \$3.5 billion. These rights were preserved when ICPF acquired the Management Platform from Morgan Stanley pursuant to the 2016 Transaction.

On 12 August 2016, IOF received a Certificate of Valuation from the Management Platform confirming that the gross asset value of IOF's commercial office assets was greater than \$3.5 billion. As a result, IOF has a 12 month period (that commenced on 12 August 2016) to choose to exercise its right.

The Certificate of Valuation stated the following:

- the price at which ICPF would be willing to sell 50% of the Platform, being \$45 million plus agreed working capital and other agreed reimbursement adjustments; and
- if completion of the sale takes place after 28 February 2017 and before the end of the expiry period, the price is the higher of:
 - \$45 million plus agreed working capital and other agreed reimbursement adjustments; and
 - the fair market price as at the expected completion date of the sale as determined by an independent expert.

On 13 December 2016, ILFML, as responsible entity of IOF, announced that it had negotiated with ICPF to extend the 28 February 2017 timeline for completion of an acquisition at the stated price to 31 May 2017. IOMH has effectively agreed a further extension of the pricing arrangement by signing the Share Purchase Agreement (see Annexure D for a summary of the key terms of that agreement).

Operational and Governance Review

As announced to IOF Unitholders previously, an operational and governance review was undertaken to assess how IOF works with the Management Platform.

The review identified areas of strength of working with the Management Platform as well as areas which could be improved.

Based on the findings of the review, the Independent Directors concluded that a restructure which allows greater influence over the operation of the Management Platform and improved alignment would benefit IOF Unitholders. Accordingly, the Independent Directors determined to progress the Proposal and to negotiate with ICPF a true joint venture on appropriate terms to ensure IOF Unitholders continue to derive benefits from the Management Platform and certainty of access to the high quality of service provided by IOM.

IOF Unitholders should note that there would be no change to the responsible entity of IOF in connection with implementation of the Proposal, and ILFML will continue to provide responsible management of IOF for New Stapled Securityholders. ILFML will remain independently responsible for the setting of strategy and representing the interests of IOF. For further information on the alignment of the Newco and ILFML Board composition following implementation of the Proposal, refer to section 6.7.

Purchase Price

The Proposal involves the acquisition of 50% of the shares on issue in IOM for a purchase price of \$45 million, adjusted for working capital and other agreed reimbursement adjustments by way of a customary working capital adjustment using completion accounts.

The unadjusted purchase price of \$45 million represents 8.8x IOF's 50% share of IOM's pro forma EBITDA, of \$5.1 million for the year ending 30 June 2017.²

The purchase price of \$45 million offered by ICPF represents 50% of the purchase price that ICPF agreed to acquire IOM for in the 2016 Transaction.

Effect of the Proposal

If implemented, the Proposal would result in management of the assets of the AJO Fund and PCP Trust being partially internalised, with IOF Unitholders acquiring an indirect 50% interest in the management rights relating to the ICPF Fund portfolio and Private Mandates portfolios currently managed by IOM.

IOMH would continue to retain a 50% interest in the Management Platform and the rights and interests of the two shareholders, Newco Acquirer and IOMH, would be governed by a Joint Venture Agreement containing the usual protections for 50% shareholding interests.

The key steps to implement the Proposal are set out in more detail in section 5, which also describes the conditions precedent to the implementation of the Proposal.

The key provisions of the transaction documents to implement the Proposal, including the Joint Venture Agreement, are summarised in Annexure D.

2) For further information on IOF pro forma EBITDA, please refer to section 4.

OVERVIEW OF THE PROPOSAL

SECTION 1

1.2 STRATEGIC RATIONALE

The operational and governance review (**Review**) recently undertaken by the Independent Directors, information about which was announced to ASX on 3 April 2017 and 12 April 2017, identified areas of strength of working with the Management Platform as well as areas which could be improved. The Board is of the view that implementing the Proposal would allow greater influence over the future direction and operation of the Management Platform, while securing the high quality, specialist Management Platform for the benefit of IOF Unitholders.

The key strategic rationale for the Proposal is outlined in the table below.

Strategic rationale	Benefits
Strengthens IOF's market position	<ul style="list-style-type: none"> – Implementation of the Proposal would result in IOF owning an interest in one of Australia's largest specialist office groups, which could not be achieved by IOF on its own. – IOF will continue to own 20 office buildings in Australia, the majority of which are Prime Grade. IOF will additionally acquire a 50% share in the Management Platform, which has over \$10 billion of office assets under management (including IOF's assets, assets of ICPF Fund and Private Mandates assets and assets managed under separate property management arrangements – as further set out in section 3).
Governance and alignment enhancements	<p>Becoming a joint owner of the Management Platform will allow the protection of IOF Unitholders' interests in relation to the strategic direction of the Management Platform.</p> <ul style="list-style-type: none"> – Equal representation on the Board of IOM will give Newco Acquirer oversight of the management and operation of the Management Platform in the best interests of IOF Unitholders. – The Board of IOM will comprise up to 6 directors (inclusive of the Chair). Each shareholder may appoint up to two directors. In addition, two executive directors will be appointed to the Board. The initial Chair of IOM will be Rebecca McGrath (an IOMH nominee director) for a term of three years from completion of the 50% IOM Acquisition. Subsequent Chairs will be decided by mutual agreement of the shareholders. The Chair will not have a casting vote at IOM Board meetings in addition to any deliberative vote he or she may have. – IOM Board decisions will be made by majority vote (with certain key Management Platform decisions being reserved for the shareholders – as described below). – One nominee director from each shareholder will be required to form a quorum. – When considering any related party matter (for example, an enforcement action by IOM against a shareholder or its affiliates), the nominated directors of the relevant party are required to recuse themselves from that matter. – Influence over key Management Platform decisions: Newco Acquirer will have the ability to influence in favour of IOF Unitholders the outcome of key Management Platform decisions, which, under the terms of the Joint Venture Agreement, may only be passed with the unanimous approval of both shareholders. Key reserved matters include: <ul style="list-style-type: none"> – adopting the annual budgets and business plans of IOM, which will require both shareholders' agreement on the strategy and management of the Management Platform; – amendments to existing ICPF Fund or IOF fee arrangements, which assists in managing the risk of fee changes in the future; – adding any new funds or mandates to the Management Platform; – the sale of IOM (subject to pre-emptive and tag along provisions); – appointment of the Chairperson and the IOM CEO, such that the identity of persons in a key leadership position is agreed jointly; and – entry into related party or unusual transactions. <p>A list of the key shareholder reserved matters is set out in Annexure D.</p> <ul style="list-style-type: none"> – Pipeline rights: ICPF Fund and IOF will cooperate in relation to the potential acquisition of assets with a view to leveraging the combined capital of the funds and pursuing co-ownership of assets when aligned with the respective fund strategies. – Exit rights: Each shareholder will have the ability to call the other shareholder's shares if there is a material change to the other shareholder's business, such as: <ul style="list-style-type: none"> – (Change of control) a change of control of the shareholder (including a change in beneficial ownership) or removal of that shareholder's responsible entity; – (Winding up) unitholders of the fund to which a shareholder is stapled resolve to wind up or otherwise dissolve the fund;

OVERVIEW OF THE PROPOSAL

SECTION 1

Strategic rationale

Benefits

Governance and alignment enhancements continued

- **(Minimum size)** the gross asset value (excluding cash) of a fund to which a shareholder is stapled or owned falls below \$1.5 billion; and
- **(IOF remaining listed)** in the case of IOF, IOF ceasing to be listed or being suspended from being listed for more than 60 consecutive days.

The following pricing mechanism applies to determine the price (which must not be negative) in all instances in which a call option is exercised:

- 50% of the fair market value; *plus*
- 50% of working capital (with a customary adjustment mechanism); *less*
- 100% of the scale down costs,

where:

- fair market value is determined through an independent valuation process for a 100% interest in the remaining Management Platform assuming the services of IOM are no longer required by the exiting shareholder (other than where the gross assets value of the entity fall below \$1.5 billion, in which case the assumption is the services are still required);
- working capital adjustments are 50% of the actual working capital of the Management Platform calculated based on a customary working capital adjustment mechanism involving completion accounts; and
- actual costs associated with adjusting the scale and resources of the Management Platform to reflect the reduced value of assets under management, including redundancy costs, will be 100% borne by the exiting shareholder (if a shareholder disagrees with IOM management's determination of these costs, and the shareholders cannot agree those costs between them, an independent expert will be engaged to determine the appropriate amount).

As part of negotiating the Management Proposal, the Independent Directors secured the agreement of IOMH that, in the event there is a change of control of IOF, or ILFML is removed as the responsible entity of IOF, IOMH must use all reasonable endeavours to arrange the orderly transfer of records and data relating to IOF as if a facilitation fee had been paid and the transaction was being recommended. The effect of this is that the records and data of the Management Platform relating to IOF are effectively owned by IOF Unitholders. To the extent those records and data have value that may otherwise have been the subject of a facilitation fee paid by a third party to the Management Platform, that value may be available for the benefit of New Stapled Securityholders in any future transaction.

Further detail regarding the terms of the Joint Venture Agreement is set out in Annexure D of this Explanatory Memorandum.

It is worth noting that the Boards of ILFML and Newco will remain solely responsible for the setting of strategy and representing the interests of IOF and that the Board composition of ILFML and Newco will be aligned. For further information on Newco and ILFML Board composition following implementation of the Proposal, refer to section 6.

IOM management stability and influence in relation to key fund staff

- **Independence of employees from shareholders:** All Management Platform employees will be employed by IOM Subsidiaries (excluding ILFML and IWFML) and will ultimately report to the IOM CEO. Management Platform employees will be required to comply with appropriate governance and information sharing protocols in relation to IOF and ICPF to ensure confidentiality of shareholder group portfolio information.
- **Key fund staff:** Following implementation of the Proposal, IOF will have greater ability to work with the IOM management team dedicated to its business to implement IOF's strategic vision. Newco, which will represent the New Stapled Securityholders' interests, will have the ability to influence key staffing decisions, including by way of a veto right over the appointment of the key IOM staff who will be dedicated to IOF's business.
- **Continuity of senior management expected:** The IOM senior management team (including the CEO), and the IOM management structure, both as set out in section 3, are expected to be retained following implementation of the Proposal to ensure that the management of IOF's high quality office portfolio continues to be serviced by an experienced, specialist office property management team with existing knowledge of the assets.

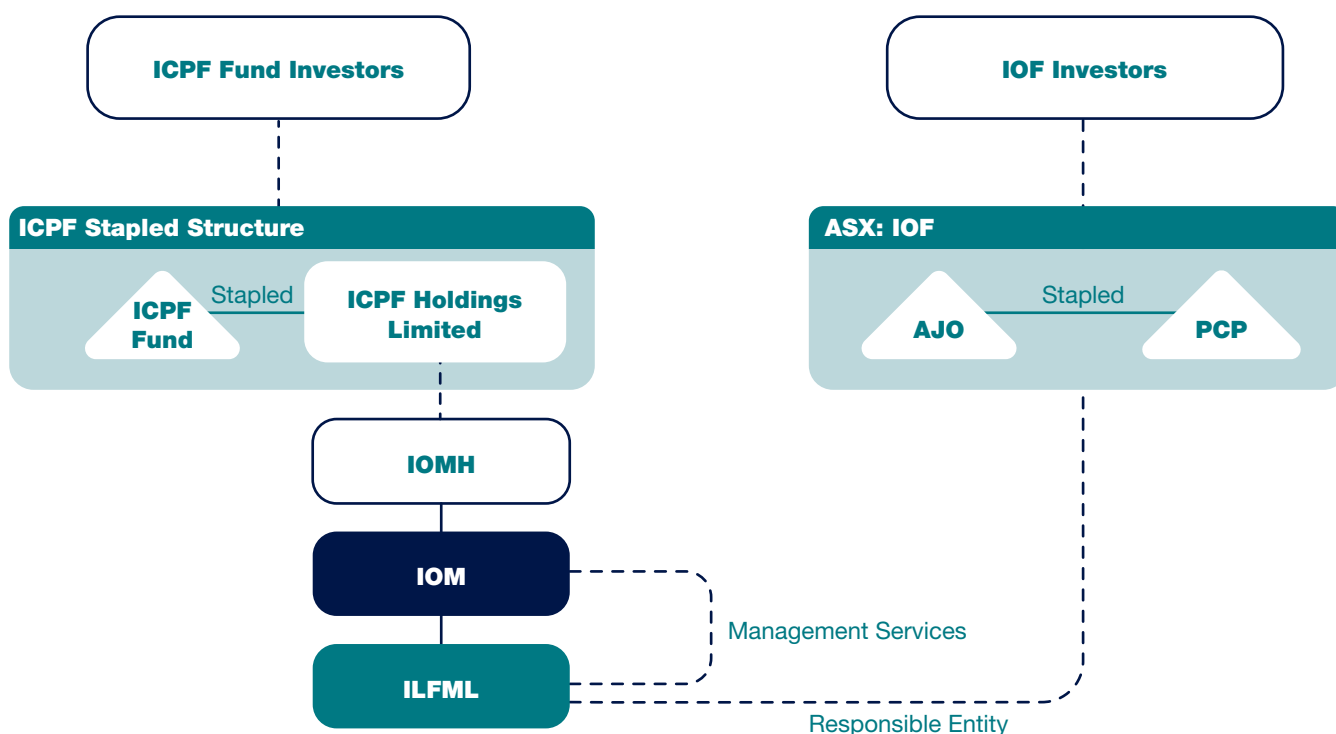
OVERVIEW OF THE PROPOSAL

SECTION 1

Strategic rationale	Benefits
Accretive to IOF Unitholder value	<ul style="list-style-type: none"> The Proposal is expected to be accretive to IOF Unitholder value (by providing an expected 0.2 cents per unit accretion, on an annualised basis, to IOF's pro forma incremental FY17 FFO).³ For further information on the financial impact of the Proposal on IOF, see section 4 of this Explanatory Memorandum.
Additional diversified income streams	<ul style="list-style-type: none"> The Proposal will result in the Post Proposal IOF Group's FFO diversifying through management fees (including fees for funds management, property management, leasing and development management). If the Proposal is implemented, the risk profile of New Stapled Securityholders is not expected to increase materially as the majority of income will continue to be derived from rental income earned from property investment (approximately 99% of FFO, on a pro forma basis for the year ending 30 June 2017).
Enhanced growth opportunities	<ul style="list-style-type: none"> If the Proposal is implemented, Newco will have an indirect 50% interest in a leading, high quality, integrated office management platform with significant scale and capabilities. Acquisition of a 50% interest in the Management Platform offers the potential for incremental growth opportunities that may enhance returns for New Stapled Securityholders. Additional potential returns could flow from future IOM acquisitions and developments, regardless of whether these activities occur in existing funds (IOF, ICPF Fund or the Private Mandates) or new third party funds that may be managed in the future.

a) Before implementation of the Proposal

Below is a simplified structure diagram showing the current corporate structure relating to the Management Platform.



3) For further information on IOF pro forma incremental FY17 FFO, please refer to section 4.

OVERVIEW OF THE PROPOSAL

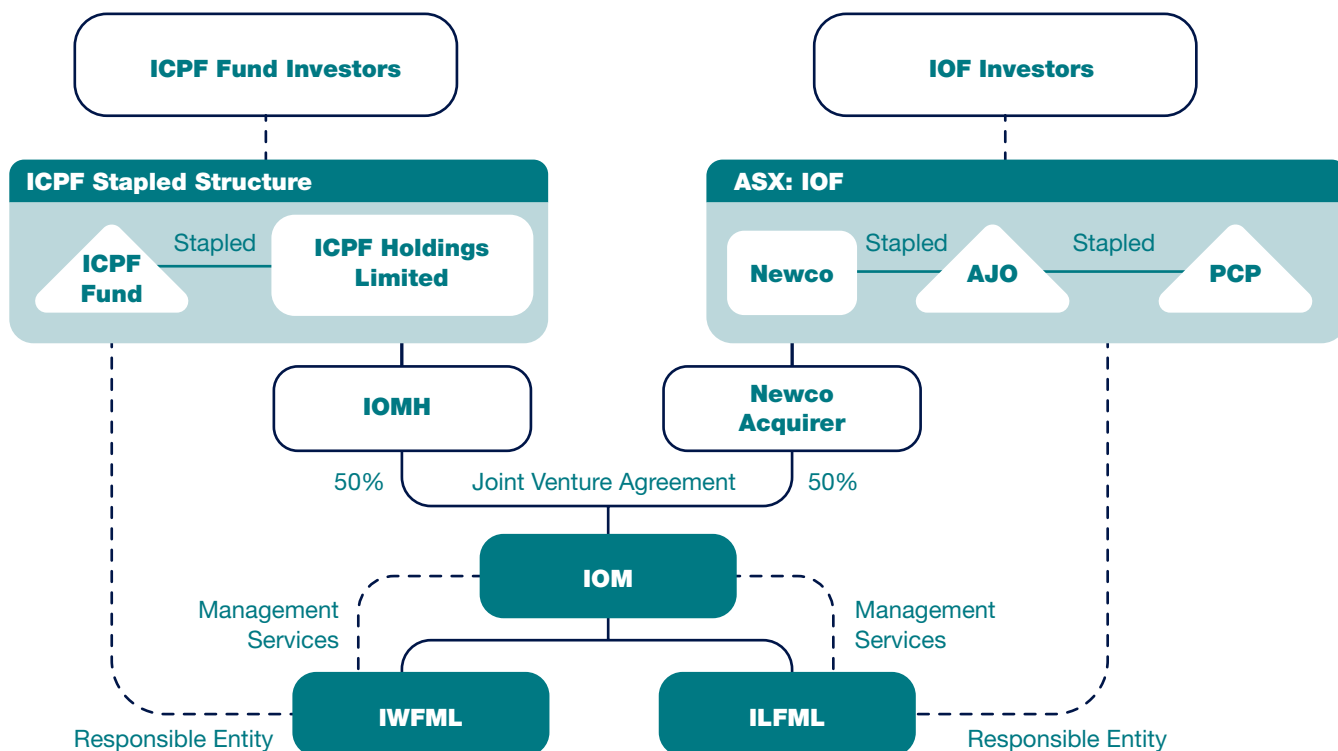
SECTION 1

b) After implementation of the Proposal

Section 5.2 sets out the key steps necessary for implementation of the Proposal and section 5.4(a) sets out the conditions precedent to implementation of the Proposal, which include IOF Unitholder approval.

Following establishment of the new entities and the stapling of Newco to the Existing IOF Entities, IOF and the Management Platform will be structured as shown in the simplified structure diagram below. The co-ownership of the Management Platform with IOMH will be governed by a Joint Venture Agreement. A summary of the key terms of the transaction documents in relation to the Proposal, including the Joint Venture Agreement, is included in Annexure D of this Explanatory Memorandum.

Further information on the Management Platform business, and financial information, is set out in sections 3 and 4 respectively.



1.3 IMPLICATIONS IF THE PROPOSAL IS NOT APPROVED

If the Proposal is not approved:

- IOF Unitholders will continue to own an IOF stapled security comprising an AJO Unit stapled to a PCP Unit, which will continue to trade on the ASX as a single stapled security. IOF would continue to be managed by ILFML as its responsible entity in the best interests of IOF Unitholders;
- Newco Shares will not be issued to IOF Unitholders or stapled to the existing IOF stapled securities;
- IOM will remain 100% owned by IOMH, and ILFML will continue to pay management fees to IOM in future periods;
- ILFML will still incur transaction costs relating to the Proposal, of up to \$2.3 million; and
- IOF Unitholders will not receive the anticipated benefits from implementation of the Proposal.

As stated in section 1.1, IOF has a right to acquire 50% of the Management Platform following IOF being notified that the gross asset value of its commercial office assets equalled or exceeded \$3.5 billion, which occurred on 12 August 2016 when IOF received a Certificate of Valuation from the Management Platform. IOF has until 11 August 2017 to determine to notify IOMH that it is willing to purchase the 50% stake in IOM. If the Proposal is not approved, the Board of ILFML would assess whether to pursue a further transaction.

PROPOSAL CONSIDERATIONS



PROPOSAL CONSIDERATIONS

SECTION 2

2.1 REASONS YOU MAY CHOOSE TO VOTE IN FAVOUR OF THE PROPOSAL

a) The Independent Directors consider that the Proposal is in the best interests of IOF Unitholders

The Independent Directors have concluded that the Proposal is in the best interests of IOF Unitholders and unanimously recommend IOF Unitholders vote in favour of the Proposal.

The recommendation is made after the Independent Directors have given careful consideration to the various advantages of the Proposal (set out in section 1.2) and the disadvantages and risks that have been identified and are discussed below (in sections 2.2 and 2.3). The Independent Directors have also considered the Independent Expert's Report.

b) The Independent Expert has concluded that the the Purchase Price for the 50% IOM Acquisition is fair and reasonable to IOF Unitholders that are not associated with IOM, and the 50% IOM Acquisition is on arm's length terms.

Deloitte was engaged by the Independent Directors to provide an assessment of the Proposal for the benefit of IOF Unitholders that are not associated with IOM.

The Independent Expert has concluded that the Purchase Price for the 50% IOM Acquisition is fair and reasonable to IOF Unitholders that are not associated with IOM, and the 50% IOM Acquisition is on arm's length terms.

A full copy of the Independent Expert's Report, which you are encouraged to read in full, can be found in Annexure A of this Explanatory Memorandum.

c) You agree with the strategic rationale for the Proposal

The Board's strategic rationale for putting the Proposal to IOF Unitholders for consideration is set out in the Chairman's letter and in section 1.2.

The Independent Directors have determined that a restructure which facilitates greater alignment of the Management Platform with IOF's strategic objectives and secures the Management Platform is in the interests of IOF Unitholders.

2.2 REASONS YOU MAY VOTE AGAINST THE PROPOSAL

a) You may disagree with the conclusion of the Independent Directors

You may disagree with the conclusion of the Independent Directors that the Proposal secures the best outcome available for IOF.

b) You may disagree with the conclusion of the Independent Expert

You may disagree with the conclusion of the Independent Expert that the Purchase Price for the 50% IOM Acquisition is fair and reasonable to IOF Unitholders that are not associated with IOM, and the 50% IOM Acquisition is on arm's length terms.

c) You may believe that the impact on your personal taxation position outweighs the benefits of the Proposal

An Australian Taxation Report has been included at Annexure B of this Explanatory Memorandum, however you should seek independent taxation advice that takes account of your personal circumstances.

d) You may believe that the risks of the Proposal outweigh the benefits offered by the Proposal

An overview of the strategic rationale for the Proposal is set out in section 1.2. Potential disadvantages and risks associated with the Proposal are set out in section 2.3 below.

2.3 DISADVANTAGES AND RISKS

While the Independent Directors unanimously recommend that you vote in favour of the Proposal, there are potential disadvantages and risks associated with the Proposal of which you should be aware. This section should be read in conjunction with section 3 of this Explanatory Memorandum for a more complete understanding of the nature of the IOM business and its associated risks.

Some factors that you may want to take into account when considering whether or not to vote in favour of the implementation of the Proposal include:

Key risks

Comments

Completion risk

- Completion of the Proposal is subject to a number of conditions precedent as set out in section 5.4(a) of this Explanatory Memorandum. It is possible that these conditions may not be satisfied and that the Proposal may not proceed.
- If the conditions precedent to the 50% IOM Acquisition (as described in Annexure D) are not satisfied or waived, the 50% IOM Acquisition will not proceed. If the New Stapled Securities have then been issued, IOF Unitholders will hold New Stapled Securities (comprising a Newco Share, an AJO Unit and PCP Unit) but Newco will not own (via Newco Acquirer) 50% of IOM. In these circumstances, Newco and Newco Acquirer would have the funds received from the subscription for the Newco Shares but would not otherwise have the funds expected to be derived from IOM's management fee income to support the administration costs of Newco and Newco Acquirer. The Board of Newco would assess how to productively use the funds received from the subscription for the Newco Shares, including for example, by advancing funds on arm's length terms to the Existing IOF Entities or to undertake a capital return.

PROPOSAL CONSIDERATIONS

SECTION 2

Key risks	Comments
Completion risk continued	<ul style="list-style-type: none"> – IOF has a right to acquire 50% of the Management Platform following IOF being notified that the gross asset value of its commercial office assets equalled or exceeded \$3.5 billion, which occurred on 12 August 2016 when IOF received a Certificate of Valuation from the Management Platform. IOF has until 11 August 2017 to determine to notify IOMH that it is willing to purchase the 50% stake in IOM. If the Proposal is not approved, the Board of ILFML would assess whether to pursue a further transaction.
Information and due diligence	<ul style="list-style-type: none"> – ILFML notes that it has engaged expert advisers to conduct due diligence on the information and data provided to it by IOM in connection with considering the 50% IOM Acquisition. However, if any of the data or information provided to and relied upon by ILFML in its due diligence process and its preparation of this Explanatory Memorandum proves to be incomplete, incorrect, inaccurate or misleading, including as to liabilities in IOM or its subsidiaries (excluding ILFML), there is a risk that the actual financial position and performance of IOF and IOM post implementation of the Proposal may be materially different to the financial position and performance expected by ILFML and reflected in this Explanatory Memorandum.
Taxation consequences	<ul style="list-style-type: none"> – Taxation laws are frequently changing, both prospectively and retrospectively, and key taxation reform measures are continually being announced and either implemented, modified, or deferred. Any such changes in taxation laws, or a change in the way that a taxation law is interpreted or administered by a revenue authority, may impact the characterisation or treatment for taxation purposes of IOF and/or Newco, as outlined in the Australian Taxation Report in Annexure B of this Explanatory Memorandum.
Impact of the Proposal on NTA of IOF	<ul style="list-style-type: none"> – If the Proposal is implemented, the value of the NTA of IOF is expected to reduce by 1.6% from \$4.49 as at 31 December 2016 to \$4.42, on a pro forma basis. However, the NAV of IOF is not expected to be materially impacted. – The reduction in NTA is largely due to the impact of the payment of the Purchase Price (to be paid for with debt) in connection with the 50% IOM Acquisition. The majority of the assets of IOM are intangible assets and are accordingly excluded from NTA. – For further information on the financial impact of the Proposal on IOF, see section 4 of this Explanatory Memorandum.
Control transaction of IOF	<ul style="list-style-type: none"> – As summarised in section 1.2 and item 10 of the summary of the Joint Venture Agreement in Annexure D, each shareholder will have the ability to call the other shareholder's shares if (among other matters) there is a change of control of the shareholder (including a change in beneficial ownership) or removal of that shareholder's responsible entity. The pricing mechanism for the call option will be calculated based on 50% of the fair market value; plus 50% of working capital (with a customary adjustment mechanism); less 100% of the scale down costs. As a result, in the event of a potential acquisition of IOF by a third party, if the call option is exercised, the consideration receivable by the third party bidder for their share of the Management Platform may be reduced to reflect the mechanism for scale down costs. Whilst immaterial given the size of IOF, this may be a disincentive to a potential bidder for IOF. – It should also be noted that as part of negotiating the Management Proposal, the Independent Directors secured the agreement of IOMH that, in the event there is a change of control of IOF, or ILFML is removed as the responsible entity of IOF, IOMH must use all reasonable endeavours to arrange the orderly transfer of records and data relating to IOF as if a facilitation fee had been paid and the transaction was being recommended. The effect of this is that the records and data of the Management Platform relating to IOF are effectively owned by IOF Unitholders. To the extent those records and data have value that may otherwise have been the subject of a facilitation fee paid by a third party to the Management Platform, that value may be available for the benefit of New Stapled Securityholders in any future transaction.

PROPOSAL CONSIDERATIONS

SECTION 2

Key risks

Comments

<p>Increased risk profile due to a change in composition of the sources of income</p>	<ul style="list-style-type: none"> – If the Proposal is implemented, New Stapled Securityholders will indirectly (through their shareholding in Newco), receive revenue derived from fees, including for funds management, property management, development management and leasing. – Funds management fees are relatively stable and recurring in nature as they are based on market capitalisation or asset value: <ul style="list-style-type: none"> – in the case of IOF, the fee per quarter cannot change by more or less than 2.5% from the previous quarter's fee; and – in the case of ICPF Fund and the Private Mandates, the fee is based on the gross asset value of assets under management. – Property management fees are also relatively stable and recurring in nature and are based on rental income from assets under management. – Development management and leasing fees are typically more volatile as fees depend on: <ul style="list-style-type: none"> – for development management fees, the level of developments undertaken across the Management Platform; and – for leasing fees, the lease expiry profile and underlying office property market conditions in any given year, and may be impacted by lease default, renewal/non-renewal, vacancy and movement in market rents. – Management fee income is considered relatively more risky than rental income earned from property investment. For instance, IOM's fee revenue will be affected if: <ul style="list-style-type: none"> – IOM is unable to retain the funds under management following implementation of the Proposal, however, it is noted that given ICPF's joint ownership of the Management Platform (through its Subsidiary IOMH), the risk of losing management of ICPF Fund as a result of the implementation of the Proposal is expected to be low; – there is a sale or purchase of assets or a change in the value of assets under management affecting the amount of fees received from ICPF Fund and the Private Mandates (and reduced market capitalisation of IOF will affect the fees paid by IOF and received by IOM); – IOM is unable to maintain additional third party property management mandates; or – the development pipeline changes in scale. – However, these risks are common to any funds and property management business and the majority of income will continue to comprise rental income earned from property investment (approximately 99% of FFO, on a pro forma basis for the year ending 30 June 2017).⁴
<p>ICPF liquidity event in 2020</p>	<ul style="list-style-type: none"> – ICPF Fund is an open-ended wholesale fund with a full liquidity event every 10 years. The next event is in March 2020 and provides the ability for ICPF Fund investors to redeem part or all of their investment in ICPF Fund. This could result in a reduction in ICPF Fund's assets under management or ICPF Fund being wound up. This in turn would affect the fee revenue derived by IOM from ICPF Fund. – ICPF Fund is a \$4.1 billion internally managed core office fund owned by domestic and offshore institutional investors and is stapled to an operating platform managing over \$10 billion in real estate assets.⁵ It has performed strongly and has raised over \$2.2 billion of equity capital since January 2010. It currently has strong demand from investors seeking to invest in the fund.
<p>Increased financial risk</p>	<ul style="list-style-type: none"> – The total funding required in connection with the Proposal is estimated to be approximately \$49.7 million, represented by the Purchase Price of \$45 million, estimated working capital and other agreed reimbursement adjustments (estimated at \$1.5 million) and transaction costs incurred as a result of implementation of the Proposal of up to approximately \$3.2 million. Funding will be sourced entirely from external debt with IOF drawing down existing bank debt facilities. – IOF's gearing of 26.5% as at 31 December 2016, which was reduced to 22.3% incorporating the settlement of the property sales will be increased by 1.6% to 23.9% to reflect the additional funding for the Proposal.⁶ Higher gearing could increase New Stapled Securityholders' exposure to changes in interest rates. – The risk of changes in interest rates will be mitigated through hedging arrangements. For further information on the financial impact of the Proposal on IOF, see Section 4 of this Explanatory Memorandum.

4) For further information on IOF pro forma EBITDA, please refer to section 4.

5) As at 31 December 2016.

6) Gearing (%) excludes the impact of April 2017 Valuations outlined in 4.13.

PROPOSAL CONSIDERATIONS

SECTION 2

Key risks	Comments
One-off transaction and ongoing operating costs may be higher than forecast and ongoing savings and additional revenues from the Proposal may be lower than forecast	<ul style="list-style-type: none"> – Forecasts by their nature are subject to uncertainties and contingencies, many of which are outside the control of IOF. As a consequence, there is a risk that the financial benefits from internalisation will not be realised to the extent forecast.
No certainty that partial internalisation of management will improve the market rating or security price of New Stapled Securities	<ul style="list-style-type: none"> – While the Independent Directors believe that a partially internalised management structure will broaden the investor appeal of IOF, there is no guarantee that the price of New Stapled Securities will be maintained or will increase as a result.
General risks associated with an investment in IOM	<ul style="list-style-type: none"> – Financial forecasts: The Pro Forma Financial Information has been prepared by ILFML based on assumptions considered to be appropriate and reasonable at the time of the preparation of the Explanatory Memorandum. Many factors which may affect results are outside the control of ILFML and may not be capable of being foreseen or accurately predicted. The nature and timing of events and the magnitude of their impact might differ from those assumed in preparing the Financial Forecasts, and this may have a material positive or negative effect on the financial performance of IOF, Newco and/or IOM. Inclusion of the Financial Forecasts in this Explanatory Memorandum should not be regarded as a representation by any person that the results contained in the Financial Forecasts will be achieved. IOF Unitholders are advised to make their own independent assessment of future performance, value and prospects of IOF, Newco or IOM. – Warranty risk: If any of the representations and warranties provided to and relied on by Newco Acquirer in connection with the 50% IOM Acquisition are not true, there is a risk that the actual financial position and performance of IOF and IOM post implementation of the Proposal may be materially different to the financial position and performance expected by ILFML and reflected in this Explanatory Memorandum. See Annexure D for a summary of the material terms of the Share Purchase Agreement. – Operating expenses: Unforeseen increases in operating expenses from time to time may adversely impact IOM. – Insurance risk: IOM is exposed to insurance risk in terms of the adequacy of cover including both failure to insure and underinsurance for events. In the event that there are insufficient insurance arrangements in place, IOM may be exposed to materially significant capital loss, or losses that may impact revenue generation and overall financial performance. – Retention of personnel: IOM's success will depend in part on the ability of executive officers, senior management, and employees to operate effectively, both individually and as a group, and on IOM's ability to attract and retain highly qualified management and personnel. The loss of the services of key individuals or any other key personnel could have an adverse effect on IOM. – Geographical risk: IOM's management portfolio is 100% located in Australia. Any events affecting the property market in Australia, may have a material adverse effect on the business, financial condition, results of operations and/or prospects of IOM.
Other general risks	<ul style="list-style-type: none"> – Economic and market conditions: IOM and IOF may be adversely impacted by many factors including changes in general economic conditions such as interest rates, inflation, retail spending levels, consumer confidence levels and general market conditions. In relation to IOF, a number of factors affect the performance of the stock markets, which could affect the price at which the Existing Securities or New Stapled Securities trade on the ASX. Among other things, movements on international and domestic stock markets and in interest rates, inflation and inflationary expectations and overall economic conditions, as well as government taxation and other policy changes may affect the demand for, and price of, Existing Securities or New Stapled Securities. Volatility in the Australian or international financial markets may influence the trading price of Existing Securities or New Stapled Securities on the ASX.

PROPOSAL CONSIDERATIONS

SECTION 2

Key risks

Comments

Other general risks *continued*

- **Force majeure risk:** There are some events that are beyond the control of IOM, IOF or any other party including acts of nature, fires, floods, earthquakes, wars, strikes and acts of terrorism. Some force majeure risks are effectively uninsurable, and if such events occur they may have materially adverse effects on IOF and IOM.
- **Interest rate risk:** Funding cost fluctuations in interest rates, to the extent that they are not hedged, may adversely impact on the cost of debt and result in decreased earnings available for distribution to holders of Existing Securities or New Stapled Securities. Increases in interest rates will adversely affect the performance of IOM or IOF once any hedge which that entity has the benefit of expires.
- **Changes in applicable law:** IOF must comply with various legal requirements including requirements imposed by securities laws and company laws in Australia. Should any of those laws change over time, the legal requirements to which ILFML (as responsible entity of IOF) and IOM may be subject could differ materially from current requirements.

Furthermore, changes in relevant taxation laws, accounting standards, other legal, legislative or other administrative regimes, and government policies (including government fiscal, monetary and regulatory policies), may have an adverse effect on assets, operations and, ultimately, financial performance.

On 24 March 2017, the Commonwealth Treasury released its 'Stapled Structure Consultation Paper', which indicates that the Commonwealth Government is considering amending the tax law to remove or restrict the tax benefits that can be achieved through the use of stapled and certain other types of structure. Therefore, there is the distinct possibility of a change in the taxation framework in which A-REITs currently operate. However, the Commonwealth Treasury notes that flow through taxation for passive investment in real property remains consistent with Australia's investment policy and therefore suggests that if the tax benefits of stapled structures were to be removed or restricted, consideration should be given to the introduction of a specific A-REIT regime or the provision of greater clarity regarding the application of existing rules in Division 6C of the *Income Tax Assessment Act 1936* (Cth), in determining acceptable and non-acceptable stapled structures.
- **Climate change risk:** IOM and IOF may be exposed to a number of potential impacts of climate change over time which could lead to demographic changes, change in consumption patterns, physical risks to property and falling property values.
- **Real estate property prices:** Downward market pressure on real estate prices could impact the value of IOF's properties, and IOM's properties under management (having a possible impact on management fees).
- **Inflation:** Higher than expected inflation rates generally or specific to the property sector could increase operating costs and development costs.
- **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 financial performance or security value.
- **Market risks:** The price that Existing Securities and New Stapled Securities trade on the ASX may be determined by a range of factors, including:
 - changes to local and international stock markets;
 - changes in interest rates;
 - changes to the relevant indices in which IOF may participate, the weighting that IOF has in those indices and the implications of those changes for institutional investors and their holdings of Existing Securities or New Stapled Securities;
 - global geo-political events and hostilities;
 - investor perceptions;
 - changes in government, fiscal, monetary and regulatory policies; and
 - demand and supply of listed property trust securities.

In the future, one or more of these factors may cause Existing Securities or New Stapled Securities to trade below current prices. The stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the performance of IOF.
- **Forecast risks:** Investors should note that the historical financial performance of IOF or IOM is no assurance or indicator of the future performance of IOF or IOM.

PROPOSAL CONSIDERATIONS

SECTION 2

2.4 ALTERNATIVES CONSIDERED

The Independent Directors have assessed alternative transactions and strategies that may be available against the following key objectives of IOF Unitholders:

- continued access to a best in class integrated platform on favourable terms;
- reconfirmation of the strategic relationship with ICPF Fund to access future opportunities and initiatives;
- enhancing actual and perceived independence of both the Board of IOM and IOM management focus to ensure the interests of IOF Unitholders continue to be protected;
- representation of IOF Unitholders' interests on the Board of IOM to ensure stability, continued management quality and executive retention;
- ability to have input into the appointment of senior fund executives;
- approval rights on major issues affecting IOF Unitholder interests; and
- the potential for enhancing IOF Unitholders' return on equity.

a) 100% internalisation of IOF

The Independent Directors explored the option of an internalisation of IOF, in light of the benefits of internalisation and the general preference of listed A-REIT investors for an internalised management structure.

However, given the size of IOF's portfolio, a standalone internalisation was determined to be not economic and could result in a reduction in the quality of platform management service that IOF currently enjoys through IOM.

b) Retaining 100% external management

The Independent Directors considered retaining the existing structure of IOF being 100% externally managed, including in light of the high quality of management provided to IOF by IOM since assuming management of the IOF portfolio in April 2011:

- IOF Unitholder return has outperformed that of the S&P / ASX 200 A-REIT index (18.3% versus 14.9% on an annualised basis) since April 2011; and
- IOF's external management arrangements were enhanced by initiatives introduced at the time of management transition to IOM. These included:
 - calculation of the management fee payable by IOF to IOM by reference to market capitalisation;
 - putting in place a dedicated IOF management team; and
 - implementation of a detailed conflict management protocol.

Key highlights of IOF performance under IOM's portfolio management are set out further in section 3.

The Independent Directors considered that the benefits of IOM's management of the IOF portfolio could be retained and enhanced under the partial internalisation model represented by the Proposal, which would also have the benefits for strategic alignment and governance outlined in section 2.1 of this Explanatory Memorandum.

The Independent Directors unanimously recommend the Proposal after having considered alternative transactions and strategies that may be available to IOF Unitholders in the short-term.

The Independent Directors note that IOF has received from Cromwell two non-binding, indicative and incomplete proposals seeking due diligence which might lead to an offer to acquire all the units in IOF. The Independent Directors have granted due diligence to Cromwell to assist its efforts to put forward a proposal capable of consideration. However, as at the date of this document, there is nothing to put before IOF unitholders. The Independent Directors therefore believe it is in the best interests of IOF unitholders that the Proposal be progressed.

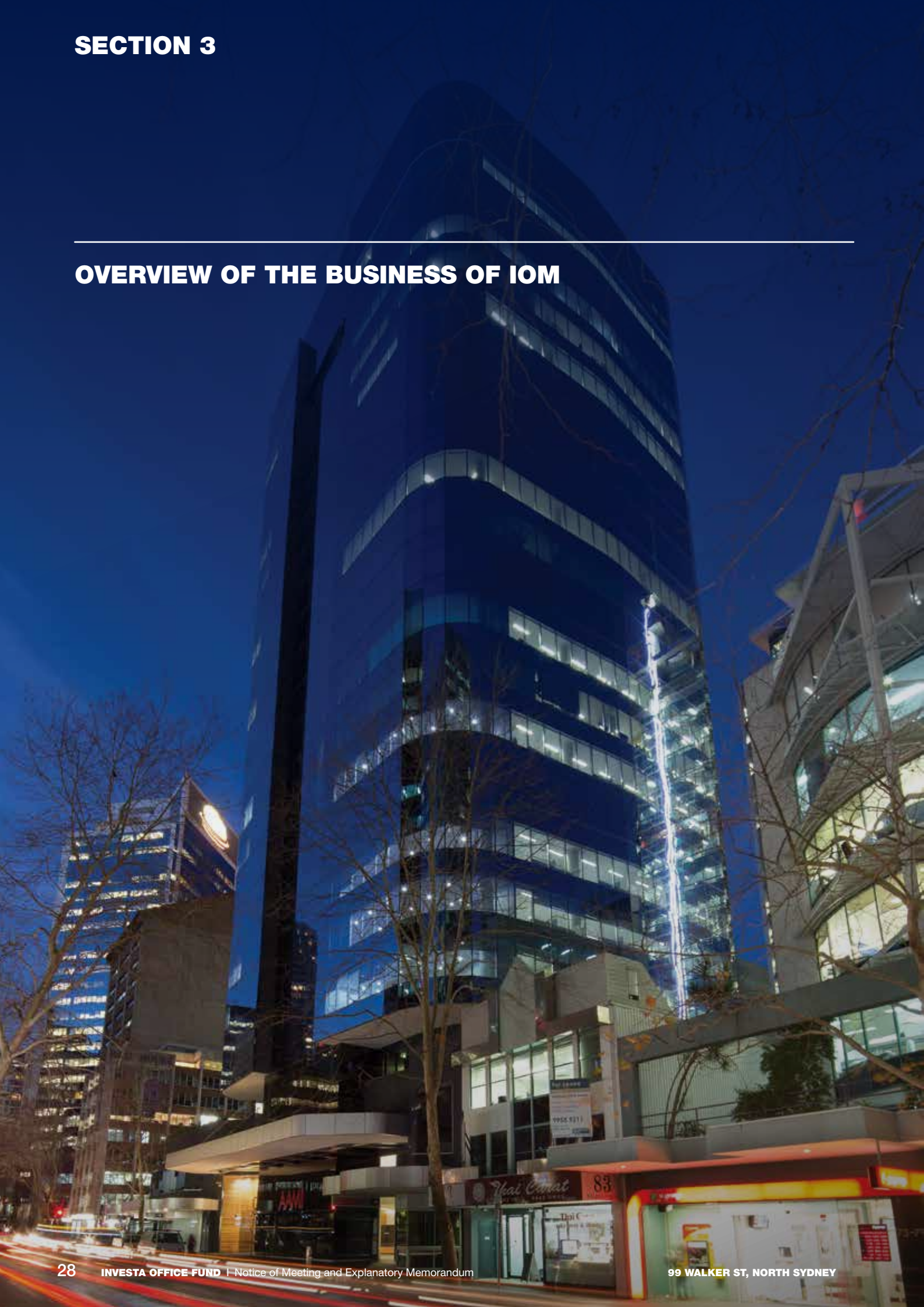
There is nothing under the terms of the Joint Venture Agreement which would preclude Cromwell or any other party making an offer now or at a future date. Should a control transaction be implemented with Cromwell or any other party, investors would have the opportunity to receive the consideration under such a transaction.

The Independent Directors will consider any alternative proposal received prior to the Meeting and would provide further advice to IOF Unitholders.

2.5 INDEPENDENT EXPERT'S REPORT

ILFML has obtained an Independent Expert's Report from Deloitte. The Independent Expert has concluded that the Purchase Price for the 50% IOM Acquisition is fair and reasonable to IOF Unitholders that are not associated with IOM, and the 50% IOM Acquisition is on arm's length terms.

OVERVIEW OF THE BUSINESS OF IOM



OVERVIEW OF THE BUSINESS OF IOM

SECTION 3

3.1 INTRODUCTION

IOM is a specialist manager of office real estate in Australia, operating an integrated end-to-end Management Platform, incorporating funds management, asset management, property management, leasing, development, safety, sustainability, capital transactions, research and a full service back office (incorporating legal, tax, finance, shared services and safe custody services).

As at 31 December 2016, IOM had over \$10 billion in Australian office properties under management, comprising:

- IOF, with 22 properties⁷ valued at \$3.8 billion;⁸
- the unlisted ICPF Fund, with 14 properties valued at \$4.1 billion;⁹
- private mandates, with 4 properties valued at \$0.7 billion; and
- property management only arrangements, over assets valued at \$1.9 billion.

3.2 HIGHLIGHTS

Leading integrated office management platform in Australia	– National Management Platform managing Australian office properties worth over \$10 billion delivering significant economies of scale. ¹⁰
Office specialist with scale	<ul style="list-style-type: none">– IOM has a sector specific office-only focus and is one of the largest office managers in Australia with broad market reach and deep tenant relationships.– The size of IOM's assets under management generates economies of scale in service contracts, reducing operating costs and fees charged.
Australian only	<ul style="list-style-type: none">– IOM has an Australia-only focus, resulting in deep knowledge and experience in the local market, underpinned by strong in-house research capabilities.– Offices in key market locations.
End-to-end service offering	<ul style="list-style-type: none">– Fully integrated Management Platform, offering funds, asset and property management, leasing, development, safety and sustainability, capital transactions, research and full-service back office functions.– IOM's direct, end-to-end service model enhances relationships with tenants and other key service providers and market operatives, contributing to better investment performance and strategy execution.
Active management	– Active management of each asset with specialist teams delivering key services to maximise value in aligned KPI arrangements.
Customer first	– Tenant focused manager with a team of people focused on and rewarded for delivering the highest level of service.
Sector SRI leader	– Leading sustainability practices integrated through the operating Management Platform.
Market leading governance arrangements	<ul style="list-style-type: none">– IOM has a strong track-record in managing multiple third party funds.– Policies covering key areas including related party transactions and conflicts of interest are already in operation.
Awards and track record	<ul style="list-style-type: none">– Senior management team with significant industry experience, tenure and performance track record.– Recent awards include:<ul style="list-style-type: none">– 2016 GRESB 5 Green Stars – ICPF Fund and IOF both achieved 5 Green Star rankings;– 2016 Royal Institute of Chartered Surveyors (RICS) Oceania Awards – Property Funds Management Team of the Year; and– 2016 Urban Taskforce Development Excellence Awards – Commercial Office Development of the Year – 567 Collins Street, Melbourne.

7) Since December 2016, two properties have been sold. As at the date of this Explanatory Memorandum, IOF owns 20 properties. For information on the April 2017 Valuations of all of IOF's 20 current properties, refer to section 4.13.

8) For information on the April 2017 Valuations of all of IOF's 20 current properties, refer to section 4.13.

9) Excluding ICPF Fund's 8.94% interest in IOF.

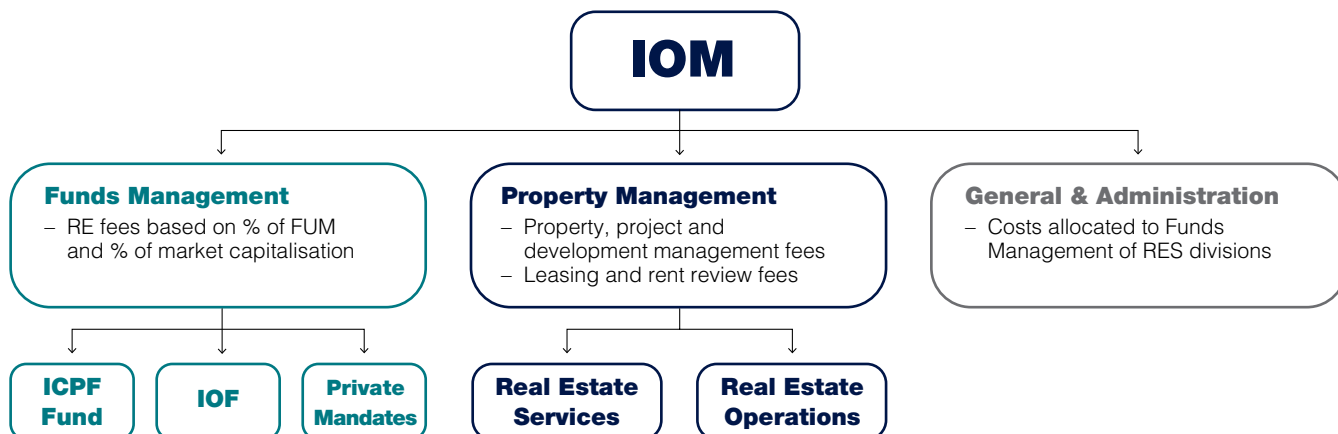
10) As at 31 December 2016.

OVERVIEW OF THE BUSINESS OF IOM

SECTION 3

3.3 KEY BUSINESS UNITS

IOM takes an integrated approach through the entire spectrum of office ownership and management across three key business units. These functions work together with the objective of delivering enhanced financial and operational performance for investors. The following diagram provides an overview of IOM's business divisions:



3.4 FUNDS MANAGEMENT

IOM manages two flagship funds, IOF on behalf of listed investors and ICPF Fund on behalf of wholesale clients, as well as two Private Mandates clients.

	IOF ¹¹	ICPF Fund ¹²	Private Mandates ¹³
Overview	<ul style="list-style-type: none"> An ASX listed real estate investment trust A leading owner of investment grade office buildings located in key Australian CBD office markets IOF's tenants predominantly comprises government and blue chip tenants 	<ul style="list-style-type: none"> An unlisted prime office fund for institutional investors Open ended Investment objective to optimise total returns by implementing a low risk investment approach, investing in Premium Grade and A-grade office assets in the major Australian CBD markets 	<ul style="list-style-type: none"> One mandate to manage a portfolio of three assets on behalf of a foreign government pension fund that invests globally across multiple asset classes One mandate to manage a co-investment in one asset with ICPF Fund on behalf of an institutional investor The two mandates together comprise four A-grade CBD office assets all in major markets Objective to achieve investment returns in accordance with the client's investment strategies
Asset Under Management	\$3.8 billion	\$4.1 billion	\$0.7 billion
Number of Properties	22	14	4
Net Lettable Area ¹⁴	420,615 sqm	321,963 sqm	73,755 sqm
Occupancy (by Income) ¹⁵	97%	98%	96%
WALE (by income) ¹⁶	5.6 years	5.7 years	5.1 years
Investors (number and type)	13,000+ domestic and foreign institutions, corporate and private retail investors	50+ institutional wholesale investors	Two institutional investors

11) Key metrics as at 31 December 2016. Since December 2016, two properties have been sold. As at the date of this Explanatory Memorandum, IOF owns 20 properties. For information on the April 2017 Valuations of all of IOF's 20 current properties, refer to section 4.13.

12) Key metrics as at 31 December 2016.

13) Key metrics as at 31 December 2016.

14) Reflecting ownership share and excluding 60 Martin Place, Sydney for ICPF Fund.

15) Weighted by the owners' share of income.

16) Weighted by the owners' share of income.

OVERVIEW OF THE BUSINESS OF IOM

SECTION 3

3.5 PERFORMANCE OF FUNDS UNDER IOM MANAGEMENT

a) IOF

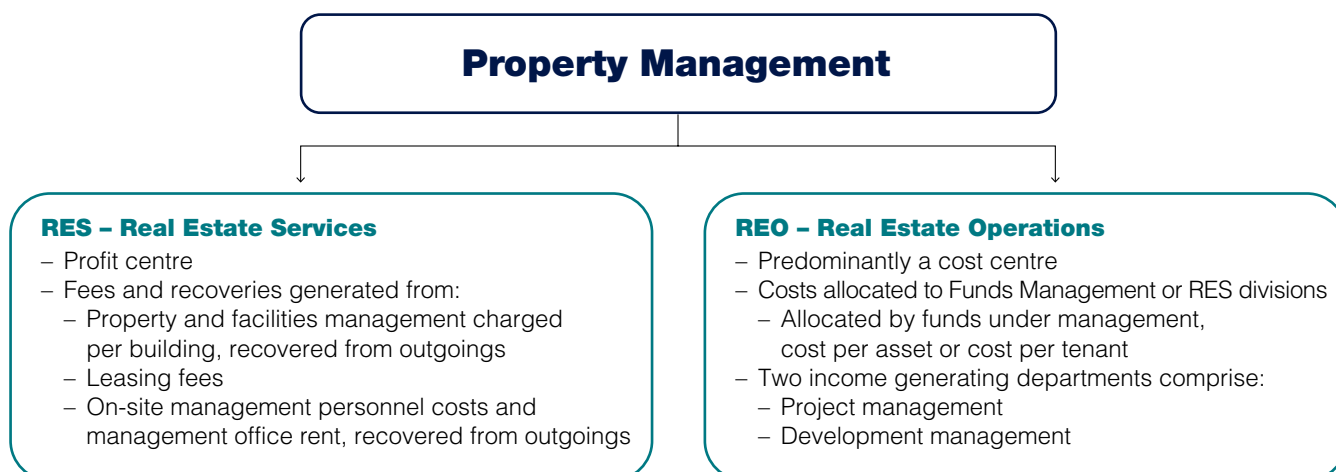
IOF Unitholder returns	<ul style="list-style-type: none">– Outperformance of IOF Unitholder return against that of the S&P / ASX 200 A-REIT index (18.3% versus 14.9% on an annualised basis) since April 2011.– IOF Unitholders have benefited from:<ul style="list-style-type: none">– a compound NTA uplift of 7.5% per annum since April 2011;– 17.8% unitholder return on equity over 12 months;¹⁷– 14.0% portfolio unlevered total return over 12 months;¹⁸ and– 3.4% CAGR in distributions over the last four years.
Strategic achievements and positioning	<ul style="list-style-type: none">– Recycling of offshore assets into Australian commercial real estate.– Selective divestments at an opportune time in the market.– Reweighting of IOF's portfolio to core east coast CBD markets, with approximately 80% weighting to Sydney and Melbourne as at 31 December 2016.– Maintenance of its BBB+ credit rating.– First A-REIT to raise a green credential medium term note (green bond) in March 2017.
Awards and recognition	<ul style="list-style-type: none">– 2016 GRESB 5 Green Star ranking.– 2016 GRESB Public Disclosure Score – 1st in Australian office.– 2016 Australasian Reporting Awards – Silver Award – 2015 annual reporting suite.– 2016 GRESB Real Estate Assessment – 2nd in Australian listed office, 13th globally (34th in 2015).

b) ICPF Fund

Strong investor support	<ul style="list-style-type: none">– ICPF Fund has raised over \$2.2 billion of equity since January 2010:<ul style="list-style-type: none">– \$469 million of equity raised in 2016.– \$257 million of equity raised in 2015.– \$577 million of equity raised in 2014.– \$927 million of equity raised from 2010 to 2013.– Current strong demand from investors seeking to invest in the fund.
Awards and recognition	<ul style="list-style-type: none">– 2016 GRESB 5 Green Star rating, ranked #2 non-listed fund in Australia and #19 globally (out of 733 participants).– 'Property Funds Management Team of the Year' in the Royal Institute of Chartered Surveyors (RICS) 2016 Oceania Award series.

3.6 PROPERTY MANAGEMENT

IOM's property management function comprises of two key divisions:



17) NTA movement plus distributions.

18) Portfolio book value movement plus portfolio income as a percentage of total book value as at 31 December 2016.

OVERVIEW OF THE BUSINESS OF IOM

SECTION 3

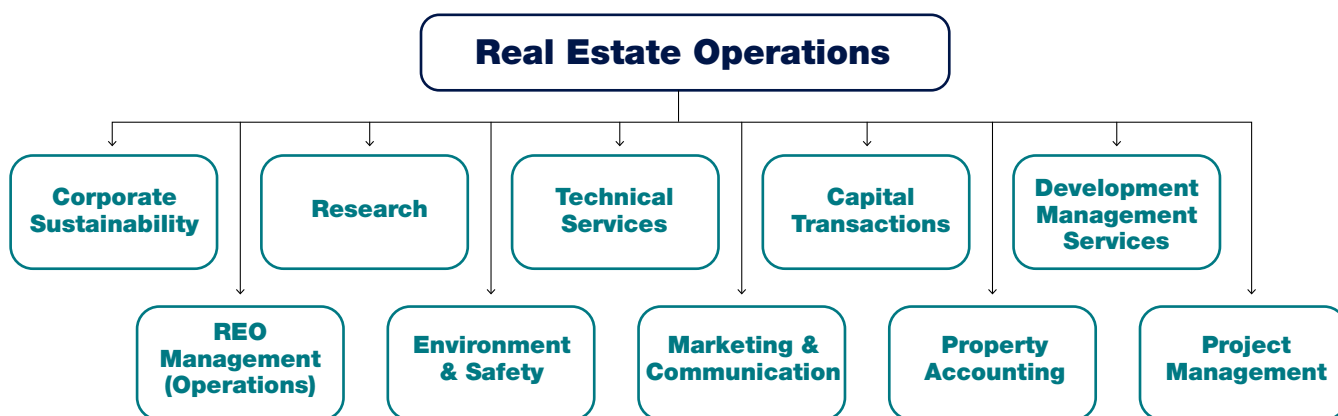
3.7 REAL ESTATE SERVICES (RES)

RES related services include:

Asset management	<ul style="list-style-type: none">– Overseeing the execution of owners strategies and delivery of overall asset performance.– Managing major tenant relationships, leasing strategy and negotiation, implementation of capital expenditure strategies and meeting compliance and reporting requirements.
Property management	<ul style="list-style-type: none">– Executing asset plans and property budgets, fostering tenant relationships and retention, lease administration, financial and operational reporting, and effectively coordinating leasing campaigns and lease deal approvals.
Facilities management	<ul style="list-style-type: none">– Providing and managing external contractors, managing hard and soft building services to optimise building performance and presentation, and maintain operational budgets.– Delivering effective life-cycle management that optimises operating expenses and extends the life of plant and equipment.

3.8 REAL ESTATE OPERATIONS (REO)

The following is an overview of REO by service/function:



Key services provided to IOM clients by REO include:

Development management services	<ul style="list-style-type: none">– IOM's capabilities range from site redevelopment, major refurbishments and collaborating with tenants to deliver their property requirements. Key competencies include:<ul style="list-style-type: none">– project sourcing and development opportunity identification;– development and project management (whole of life cycle); and– project delivery.
Property accounting	<ul style="list-style-type: none">– Maintaining accurate and timely property financial information, preparing monthly financial statements, and establishing and managing real estate trust accounts.
Project management	<ul style="list-style-type: none">– Managing capital works programs in-line with the project brief, budget and owner's requirements, as well as complying with IOM's workplace health and safety policy and business practices.
Capital transactions	<ul style="list-style-type: none">– Execution of capital transaction strategies, including:<ul style="list-style-type: none">– management of deal sourcing and divestments (buying and selling);– managing deal underwriting (with input from specialist IOM service disciplines); and– managing the deal process (including due diligence and negotiations) and driving the transaction delivery through to execution and completion.
Technical services	<ul style="list-style-type: none">– Provides technical management support to the facilities management teams including application of standard business practices and provision of business systems and processes. Technical services also manage all building operational procurement activities and management of major accounts and contractors.

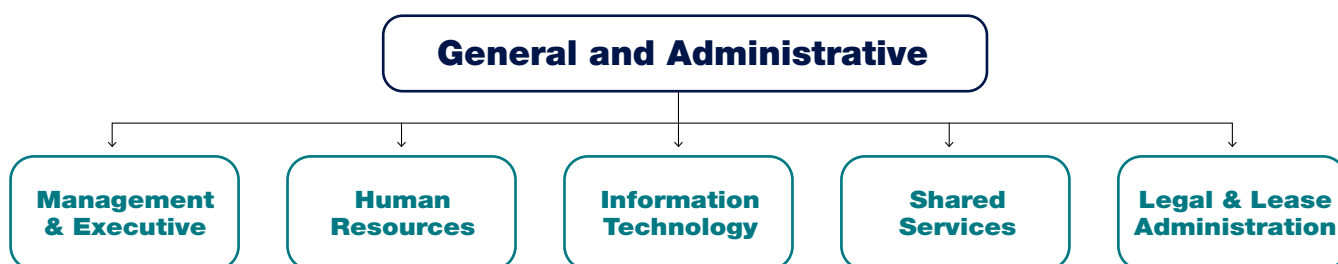
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Corporate sustainability / Environment & safety	<ul style="list-style-type: none"> – Responsible for developing and implementing market leading sustainability and safety practices which reduce risk, lower operating costs and attract tenants while contributing to building financial and operational performance. – Collaborate with investment managers to set and execute SRI strategies over the short, medium and long term.
Research	<ul style="list-style-type: none"> – Providing regular updates and forecasts, identifying the economic factors driving office market conditions, and analysing the major drivers of office market investment returns to help guide group asset management and investment strategy.
REO management (Operations)	<ul style="list-style-type: none"> – Management team responsible for connecting the funds management and real estate services business units and providing strategic and operational oversight of the assets and technical expertise across a range of disciplines.
Marketing and communication	<ul style="list-style-type: none"> – Collaborates with relevant business units to deliver marketing and communication needs for asset and corporate marketing (including leasing and new developments), brand development and research, publicity and media liaison, digital marketing and tenant engagement and communication.

3.9 GENERAL AND ADMINISTRATION

The following is an overview of the General and Administrative function that provides executive management and support services to the IOM Management Platform:



3.10 SOURCES OF REVENUE

IOM's revenue sources are primarily fees paid for delivery of the following services:

- **Funds Management:** fees charged for acting as trustee or investment manager for the following:
 - **IOF:** 0.55% per annum of the market capitalisation as measured on a quarterly basis¹⁹
 - **ICPF Fund:** 0.50% per annum of Gross Asset Value (GAV)²⁰ up to \$3.5 billion, and 0.45% per annum of GAV greater than \$3.5 billion
 - **Private Mandates:** 0.20% – 0.40% per annum of GAV. Performance fees are often payable
- **Property management:** relates to the provision of property and facilities management services, which include managing the property for the owner and collecting rent. The property management fees vary from building to building, and are generally between 1.0% to 2.0% of gross annual revenue for the relevant building.

19) A collar of 97.5% and a cap of 102.5% of the previous fee is imposed on any movement from the previous quarter.

20) GAV means the value of ICPF Fund not including assets of ICPF Fund that relate to derivative instruments. A portion of fees referable to the IOF units held by ICPF Fund have been waived, with a fee of 0.10% being payable on the value of the IOF units held by ICPF Fund.

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- **Leasing management:** relates to the provision of leasing services, which include establishing leasing strategies for owner approvals, marketing of the relevant premises to potential and existing tenants, appointment and management of leasing agents, providing direction to the agents on the negotiation of lease term, negotiations of lease documents, ensuring leases are fully executed and providing leasing strategies to the owner and in the case of certain properties, providing leasing agency services. The fees payable are dependent on the leasing service being provided, and are generally in line with the following:

Leasing management service	General fee range for leasing management services
When acting as leasing agent or no leasing agent appointed – finalising a lease for new tenants and relocation of existing tenants	10.0% to 15.0% of the gross face rent for the first year of the lease term
Lease renewal	5.0% to 7.5% of the gross face rent for the first year of the lease term
Leasing of additional space	7.0% of the gross face rent for the first year of the lease term
Market rent review with a tenant	10.0% of the increase in rent
Over-rider fee where leasing agent is appointed	20.0% of the fee that would otherwise be payable if the service was solely performed by the IOM leasing manager

- **Project management:** relates to the provision of services which include managing the design, procurement and delivery of capital works programs for building owners. The fees payable are approximately 1.8% to 2.0% of the cost of capital works, and are generally payable upon the completion of agreed stages of the relevant capital works program.
- **Development fees:** relates to the provision of development services, which include highest and best use analysis, authority approvals, design, construction and construction of a development project, as well as acting as the owner's representative where an external development manager has been engaged on the project. The development fees payable are dependent on the scope and size of the services involved, but generally range between 0.75% for a client services brief to 3.75% of development costs for a full service.
- **Management commissioning services:** relates to the provision of management commissioning services provided during the construction of new office buildings, to ensure the building is fully operational from a management perspective from the day of practical completion, for example, that all building systems and procedures are in place, contractors have been appointed and tenant fitouts have been managed. The fees payable are generally a fixed monthly fees charged until the date of practical completion.²¹

3.11 GOVERNANCE

IOM has a long track-record of managing multiple funds and has existing policies in place covering, amongst others things, related party transactions and conflicts of interest.

The Honourable James Spigelman AC QC, former Chief Justice of the Supreme Court of NSW, was appointed in March 2016 to review the conflict management procedures and processes for IOM.

The review was undertaken with the aim of identifying any enhancements to IOM's commitment to best practice governance arrangements with respect to the management of conflicts, with the key imperative being that as far as possible each client of IOM has available to it the benefit of the full range of skills and expertise that IOM offers.

The review found that the Investa Resolution of Conflict of Interest Policy appropriately identifies the potential conflicts which can arise between the interests of different external funds as well as between the interests of ICPF as owner of IOM and one of the external funds. The review recommended certain enhancements to deal with potential additional conflicts which might arise because IOM is indirectly wholly owned by one of the funds.

The Independent Directors considered the review and discussed those recommendations that are relevant to IOF with the board and management of IOM. Consequently, certain enhancements were made to the Investa Resolution of Conflict of Interest Policy.

Key existing features of the IOM governance structure include:

- each fund having a dedicated fund manager and fund team with a separate board (including a majority of independent directors) and decision making process; and
- restricted access to information on each fund strategy and client information.

Following the implementation of the Proposal, the governance structure of IOM will be determined by the terms of the Joint Venture Agreement between Newco Acquirer and IOMH. For further information regarding the governance arrangements post implementation, refer to section 1.2 and Annexure D of this Explanatory Memorandum.

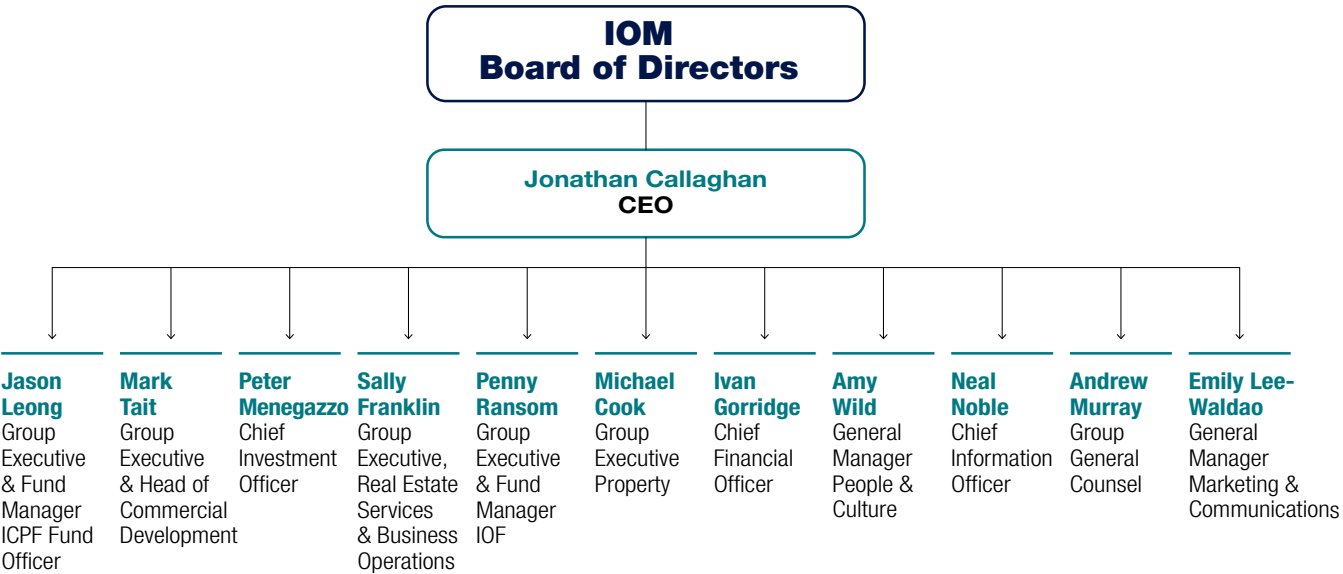
²¹) Management Commissioning Services are currently being provided by IOM for 60 Martin Place, Sydney and 151 Clarence Street, Sydney.

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3.12 ORGANISATION STRUCTURE

The following is an overview of IOM's current organisational structure:



3.13 SENIOR MANAGEMENT PROFILES

The profile of key senior management personnel is provided below.

Jonathan Callaghan
Chief Executive Officer



- Jonathan is Chief Executive Officer of IOM and an Executive Director of IWFML and IOM.
- Jonathan is responsible for the strategic direction and leadership of IOM.
- Jonathan has been with Investa for more than 10 years, where he has held a number of roles, including Group General Counsel and more recently, Joint Managing Director and Finance Director.

Peter Menegazzo
Chief Investment Officer



- Peter is Chief Investment Officer of IOM and an Executive Director of IOM. Peter is responsible for identifying and implementing strategic group initiatives, managing capital relationships, overseeing capital transactions, research and commercial developments and providing investment support for all of the clients of the platform, with the objective of optimising investment performance.
- Peter has been with Investa for over 12 years and prior to being appointed Chief Investment Officer, was Fund Manager of ICPF Fund.

Michael Cook
Group Executive,
Property



- Michael is a Group Executive at IOM and is actively involved in commercial development, capital transactions and leasing across the group.
- Prior to joining Investa in 2003, Michael was based in Hong Kong working on the \$5 billion International Finance Centre project. Prior to that, Michael worked at AMP as the Manager of Commercial Asset Management and at BT Funds Management as a Senior Fund Manager.

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Jason Leong

Group Executive,
Fund Manager, ICPF Fund



- Jason is the Fund Manager of ICPF Fund.
- Jason has been with Investa for over 8 years, previously as Acting Fund Manager for IOF and prior to that, Chief Operating Officer of the Management Platform.
- Jason has over 20 years' experience in the real estate sector with previous roles including National Director Asset Management with LaSalle Investment Management (based in Singapore) and Vice President Asset Management with New City Corporation (based in Tokyo).

Penny Ransom

Group Executive,
Fund Manager, IOF



- Penny is the Fund Manager of IOF with responsibility for the strategic direction and performance of the fund.
- Penny has over 23 years of Australian and international property industry experience, with a strong track record in driving performance through challenging market cycles.
- Previously, Penny was Fund Manager of the DEXUS Wholesale Property Fund and Head of Capital at DEXUS Property Group. Penny also spent 14 years at Lend Lease, where she held a number of senior roles in investment management, business development and capital transactions, including Head of Equity for UK and Europe. Penny commenced her career as a property valuer with Colliers International.

Sally Franklin

Group Executive,
Real Estate Services
& Business Operations



- Sally is Group Executive, Real Estate Services & Business Operations for IOM and is responsible for the asset, property and facilities management, capital projects, sustainability, environment and safety functions across the platform.
- Sally has over 16 years of experience in the commercial property industry and prior to joining Investa in 2007, she was Fund Manager for the MacarthurCook Office Property Trust and held the positions of National Strategy and Planning Manager at Telstra, Property Consultant at UrbisJHD and was a valuer at CB Richard Ellis.

Mark Tait

Group Executive,
Head of Commercial
Development



- As Group Executive and Head of Commercial Developments, Mark is responsible for identifying and executing new development opportunities for both internal and external clients.
 - Mark has over 18 years' experience in the construction and property industry and was a board member of BuildingSMART Australasia in 2013 and 2014, and a co-author of the National Building Information Modelling Initiative (NBI) Report.
 - Prior to joining Investa, Mark worked at Citta Property Group as the Development and Construction Manager for 6 years and at Lend Lease in the construction delivery team for 8 years.
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Andrew Murray
Group General Counsel



- Andrew is Group General Counsel and Company Secretary responsible for the legal, compliance and company secretarial activities at Investa.
- Andrew has over 15 years' legal experience with an extensive background in real estate, funds management and corporate transactions. Prior to this role, he was Group General Counsel and Company Secretary at Avid Property Group and has also worked in legal private practice for Allens.

Ivan Gorridge
Chief Financial Officer



- Ivan is responsible for all finance functions including financial and management reporting, funding analysis and compliance obligations for IOM. Ivan joined Investa in 2004 and has over 15 years' experience in finance, obtained from a variety of industries and in different countries.
- Prior to joining Investa, Ivan worked for Thales GeoSolutions, a Hydro-graphic Survey company in the Oil and Gas Industry. During his time at Thales, Ivan worked in a number of offices including Perth, the UK and the USA where he was Financial Controller for the Northern American companies. Prior to this, Ivan worked for Sime Darby Australia where he gained accounting and commercial experience in a variety of different businesses.

Emily Lee-Waldo
General Manager,
Marketing &
Communications



- Emily oversees marketing and communications strategy, planning and execution across corporate, office and commercial development for Investa's ~\$10 billion commercial property portfolio. She is responsible for internal and external corporate communications, brand profiling, customer engagement, asset marketing, media liaison, issues management and digital marketing.
- Emily has over 19 years' experience in the property industry and prior to joining Investa was Head of Sales and Marketing for Ashington. Emily has also held senior marketing and sales management roles with Walker Corporation and Jones Lang LaSalle, specialising in the marketing and sales of large residential and mixed-use development projects.

Neal Noble
Chief Information
Officer



- Neal is responsible for IT strategy, infrastructure and operations, applications delivery and support of Investa's business and people.
- Prior to joining Investa in 2009, Neal was the Global Director of IT Infrastructure and Operations for Recall Corporation, and before that IT Director for Recall Asia Pacific.
- Neal has also held senior IT management and consulting roles with Stockland, BT Financial Group and Coopers & Lybrand (now PWC). Neal has over 18 years of local, regional and global IT experience.

Amy Wild
General Manager,
People & Culture



- Amy is the General Manager, People & Culture at Investa. She is responsible for leading the human resources function to deliver a strategy, policies and processes that attract, retain, motivate and develop Investa's talented workforce and maintain its unique culture.
- Prior to joining Investa in 2016, Amy held a series of senior human resources roles with the GPT Group across a range of specialist human resources functions, including remuneration, organisation development and change management. Amy has over 13 years' experience in her field and holds a Masters of Organisational Psychology and Graduate Diploma of Business Administration.

It is expected that IOM's existing organisation structure and senior management team will be retained in substantially the same form following the implementation of the Proposal.

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SECTION 4

4.1 OVERVIEW

The financial information set out in this section 4 comprises:

- a **Pro Forma Consolidated Statement of Financial Position** as at 31 December 2016 of the Post Proposal IOF Group, as described in section 4.2;
- a **Pro Forma Consolidated FFO** for the Post Proposal IOF Group for the year ending 30 June 2017, including the **Pro Forma IOM EBITDA**, as described in section 4.3;
- a reconciliation of Pro Forma IOM EBITDA to pro forma statutory net profit for IOM, as described in section 4.4; and
- a reconciliation of Pro Forma Consolidated FFO to pro forma consolidated statutory net profit for the Post Proposal IOF Group, as described in section 4.8.

The Pro Forma Consolidated Statement of Financial Position and the Pro Forma Consolidated FFO are together the **Pro Forma Financial Information**.

The Pro Forma Financial Information contained in this section 4 has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards except for the following items, which have not been applied to the Pro Forma Consolidated FFO for the second half of FY17:

- fair value adjustments to investment properties and derivatives;
- foreign exchange loss; and
- non-cash income tax expense.

In addition it is presented in an abbreviated form insofar as it does not include all of the presentations, statements or comparative information as required by the Australian Accounting Standards applicable to annual general purpose financial reports prepared in accordance with the Corporations Act.

The accounting policies used to prepare the Pro Forma Financial Information are based on the accounting policies of IOF contained in the financial statements for the year ended 30 June 2016 except as noted above. Key accounting policies are shown in section 4.9. Certain new accounting policies arising from the Proposal and relevant to the Pro Forma Financial Information are set out in section 4.10.

Historical financial performance information in relation to IOF can be found in IOF's historical financial reporting, which is available at www.investa.com.au/iof.

Information provided in this section 4 should be read in conjunction with the risk factors outlined in section 2.3 and all other information provided in this Explanatory Memorandum.

4.2 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

a) Basis of preparation

This section sets out the Pro Forma Consolidated Statement of Financial Position of the Post Proposal Group as at 31 December 2016 and comprises:

- IOF's Consolidated Statement of Financial Position as at 31 December 2016** – extracted from IOF's interim financial report for the half-year ended 31 December 2016;
- Impact of property sales** – Settlement of the following property sales occurred after 31 December 2016:
 - 383 La Trobe Street, Melbourne for \$70.7 million on 17 January 2017; and
 - 800 Toorak Road, Melbourne for \$140.5 million (less committed costs of \$0.3 million) on 23 February 2017.

The two properties above were recorded as assets classified as held for sale within IOF's 31 December 2016 interim financial report. No profit or loss arose on settlement.

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iii) **Proposal impacts** – the impacts arising from the Proposal, as further detailed as footnotes to the table below.

Pro Forma Consolidated Statement of Financial Position as at 31 December 2016 of the Post Proposal IOF Group

	IOF	Impact of Property Sales	IOF	Proposal Impacts	Post Proposal IOF Group
	a	b	c=a+b	d	e = c+d
	\$m	\$m	\$m	\$m	\$m
Current assets					
Cash and cash equivalents	4.9		4.9		4.9
Trade and other receivables	16.1		16.1		16.1
Derivative financial instruments	1.6		1.6		1.6
	22.6	—	22.6	—	22.6
Assets classified as held for sale	210.9	(210.9)	—		—
	233.5	(210.9)	22.6	—	22.6
Non-current assets					
Derivative financial instruments	120.9		120.9		120.9
Investments accounted for using the equity method	813.6		813.6	49.7	863.3
Investment properties	2,799.0		2,799.0		2,799.0
	3,733.5	—	3,733.5	49.7	3,783.2
Total assets	3,967.0	(210.9)	3,756.1	49.7	3,805.8
Current liabilities					
Trade and other payables	27.6		27.6		27.6
Distribution payable	61.4		61.4		61.4
Derivative financial instruments	2.3		2.3		2.3
Borrowings	124.8		124.8		124.8
	216.1	—	216.1	—	216.1
Non-current liabilities					
Derivative financial instruments	4.0		4.0		4.0
Borrowings	988.0	(210.9)	777.1	49.7	826.8
	992.0	(210.9)	781.1	49.7	830.8
Total liabilities	1,208.1	(210.9)	997.2	49.7	1,046.9
Net assets	2,758.9	—	2,758.9	—	2,758.9
Total equity	2,758.9	—	2,758.9	—	2,758.9
Weighted average number of units (thousands)	614,047		614,047		614,047
NTA per unit (dollars)	4.49		4.49		4.42 ²
NTA per unit post April 2017 Valuations (dollars) ¹	4.79		4.79		4.72
Gearing (%) ³	26.5		22.3		23.9

1) The NTA per unit post April 2017 Valuations incorporates the financial impact of the April 2017 Valuations outlined in 4.13.

2) The purchase price for a 50% interest in IOM is deemed to represent an intangible asset and therefore the Post Proposal IOF Group NTA has been calculated after eliminating the purchase price, reducing net tangible assets by \$45 million.

3) Gearing (%) excludes the impact of April 2017 Valuations outlined in 4.13.

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The 'Proposal impacts' adjustments in the table above comprise:

1 Investment accounting for using the equity method:

The investment is initially recorded at cost and subsequently will be adjusted to reflect the Post Proposal IOF Group's 50% share of IOM's net profit or loss. Dividends received or receivable from IOM will be recognised as a reduction in the carrying amount of IOF's investment in IOM. The Post Proposal IOF Group's consolidated statutory net profit will include its 50% share of the net profit or loss of IOM.

2 Interest bearing liabilities – reflects the additional debt as a result of:

- additional debt drawn down to fund the Purchase Price to be paid in respect of the 50% IOM Acquisition, being \$45 million, plus estimated working capital and other agreed reimbursement adjustments estimated to be \$1.5 million (the working capital balance held by IOM is expected to vary and therefore the final adjustments may be different to the estimated \$1.5 million); and
- additional debt drawn down to fund the transaction costs expected to be incurred as a result of implementation of the Proposal (of up to \$3.2 million).

4.3 PRO FORMA CONSOLIDATED FFO FOR THE POST PROPOSAL IOF GROUP

This section sets out the Pro Forma Consolidated FFO as though the Proposal was implemented on 1 July 2016 and comprises:

- **IOF forecast FFO** – prepared on a business-as-usual basis assuming the Proposal does not proceed. This is based on IOF's FFO guidance for the year ending 30 June 2017 as announced to ASX in February 2017; and
- **Proposal impacts** – impacts arising from the Proposal.

IOF determines FFO in accordance with the PCA definition. FFO comprises net profit/loss after tax attributable to stapled securityholders calculated in accordance with AAS and adjusted for: property revaluations, 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 and deferred tax expense/benefit.

Pro forma Consolidated FFO	IOF FY17 Guidance	Proposal Impacts	Post Proposal IOF Group
FFO (\$m)	181.2	1.3	182.5
Weighted average number of units (thousands)	614,047	—	614,047
FFO per unit (cents)	29.5	0.2	29.7

The pro forma 'Proposal impacts' adjustments outlined in the table above comprise:

- **EBITDA from IOM and associated income tax expense** – 50% of Pro Forma IOM EBITDA for FY17 of \$5.1 million and incremental pro forma tax expense of \$1.5 million arising from the Proposal. See section 4.4 for further details;
- **Borrowing costs** – incremental borrowings costs of \$2.1 million per annum associated with funding the Purchase Price to be paid in respect of the 50% IOM Acquisition, being \$45 million, adjusted for estimated working capital and other agreed reimbursement adjustments (estimated to be \$1.5 million) and transaction costs incurred as a result of implementation of the Proposal (expected to be up to \$3.2 million); and
- **Operating expenses** – incremental audit fees, listing fees and other ongoing costs associated with Newco (expected to be up to \$0.2 million).

4.4 RECONCILIATION OF PRO FORMA IOM EBITDA TO IOM STATUTORY NET PROFIT

IOM EBITDA for FY16 and FY17 have been impacted by factors such as high leasing activity, various one-off events and other non-recurring items. The Independent Directors have determined that IOM EBITDA for FY16 and FY17 presented on a statutory basis is not reflective of a sustainable level of EBITDA. As such, the Independent Directors have estimated a Pro Forma IOM EBITDA by applying the adjustments to IOM EBITDA as described below in order to reflect the Independent Directors' best estimate of IOM's normalised earnings.

	IOM (50%) FY17 Forecast \$m	IOM (50%) FY16 Actual \$m
IOM EBITDA (statutory) ²²	6.7	2.4
Net impact of normalisation adjustments	—	3.1
Net impact of pro forma adjustments	(1.6)	(0.3)
Pro Forma IOM EBITDA	5.1	5.2

22) FY16 IOM EBITDA (statutory) excludes an \$11.6 million expense, being a 50% share of the loss upon disposal of an asset resulting from the transfer of the Investa Property Trust management rights to Mirvac.

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The 'net impact of normalisation adjustments' in the table above incorporates the following:

- recharges of corporate costs from Morgan Stanley (prior to the 2016 Transaction) and ICPF (from their ownership period of IOM). These recharges will cease if the Proposal proceeds without any consequential increase in other expenses;
- retention and other personnel costs relating to staff retention payments connected to the Morgan Stanley sale process;
- the payment made to bondholders in relation to waivers of rights connected with change of control provisions resulting from the 2016 Transaction;
- a one-off refund IOM received during FY17; and
- the transaction fee IOM received for managing an acquisition transaction under one of IOM's Private Mandates, which otherwise would not be earned in the normal course of business.

The 'net impact of pro forma adjustments' in the table above incorporates the following:

- non-recurring revenue earned from the Leader Auta III Trust (formerly known as the Investa Property Trust) for the provision of fund management services, leasing and property management services;²³
- non-recurring expenses, including personnel costs, incurred in managing the Leader Auta III Trust (formerly known as the Investa Property Trust) as IOM no longer manages Leader Auta III Trust;
- non-recurring revenue earned from one of IOM's Private Mandates relating to the disposal of a property at the end of FY17. The proceeds will be returned to the investor and IOM will no longer generate investment management and property management fees for this property;
- leasing fees vary substantially from year to year, dependent on the timing of lease renewals, market rent reviews and vacancies requiring re-letting. An average level of leasing fees expected to be generated in the future have been included within the Pro Forma IOM EBITDA for FY16 and FY17;
- the higher rental expense to be incurred in the future following a relocation of an IOM office; and
- non-recurring net earnings from leasing and property management services for assets disposed of by IOF and the ICPF Fund in FY16 and FY17.

In addition, the 'best estimate' and 'general' assumptions for IOM, outlined in section 4.6 and 4.7 respectively, have been assumed in calculating the FY17 IOM EBITDA and IOM statutory net profit/(loss).

A summary of the reconciliation of 50% of Pro Forma IOM EBITDA to 50% IOM statutory net profit/(loss) for the years ending 30 June 2017 and 30 June 2016 are set out below:

	IOM (50%) FY17 Forecast \$m	IOM (50%) FY16 Actual \$m
IOM EBITDA (statutory)	6.7	2.4
Loss upon disposal of asset	—	(11.3)
Amortisation of intangibles and depreciation	(0.5)	(4.7)
IOM statutory EBIT	6.2	(13.6)
Interest expense	—	—
IOM profit/(loss) before tax	6.2	(13.6)
Income tax (expense)/gain	(0.7)	5.7
IOM statutory net profit/(loss)	5.5	(7.9)

4.5 BEST ESTIMATES ASSUMPTIONS – IOF

- 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 asset valuation purposes.
- Direct property expenses have been forecast on a property-by-property basis based on current outgoings expectations. They have been forecast from existing service contracts or increased at a fixed annual rate.
- IOF's current standalone debt for FY17 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 FY17.

23) IOM transferred the management rights relating to Leader Auta III Trust to Mirvac following the sale of the Leader Auta III Trust (formerly known as the Investa Property Trust) portfolio to China Investment Corporation in FY16.

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4.6 BEST ESTIMATE ASSUMPTIONS – IOM

- a) Funds management fee revenue includes fees charged to IOF, ICPF Fund and under the Private Mandates according to individual fund and mandate constitutions.
- b) Development and property management fee revenue has been forecast from existing agreements with IOF, ICPF Fund and the Private Mandates and IOM's other existing property management arrangements.
- c) Corporate and administration costs have been forecast from existing employee arrangements and existing service contracts for suppliers.

4.7 GENERAL ASSUMPTIONS

- a) No further property acquisitions or disposals for the forecast period.
- b) No fair value adjustments to investment properties or derivatives in the forecast period.
- c) No material contract disputes or litigation in the forecast period.
- d) No material change in the competitive operating environment.
- e) No material changes to accounting policies or the Corporations Act in the forecast period.
- f) No material changes in Australian income tax legislation.
- g) No significant changes to the legislative or regulatory environment.
- h) All existing leases are enforceable and performance is in accordance with their terms.

4.8 RECONCILIATION OF PRO FORMA CONSOLIDATED FFO TO PRO FORMA STATUTORY NET PROFIT FOR THE POST PROPOSAL IOF GROUP

A summary of the reconciliation of the Post Proposal IOF Group's Pro Forma Consolidated FFO for the year ending 30 June 2017 and the Post Proposal IOF Group's pro forma statutory net profit for the year ending 30 June 2017 is set out below.

Basis of preparation

The pro forma statutory net profit for the Post Proposal IOF Group provided in the table below assumes the Proposal had been implemented on 1 July 2017 and comprises:

Post Proposal IOF Group's – pro forma statutory net profit;

Proposal impacts – the Forecast FFO impacts arising from implementing the Proposal including:

- Post Proposal IOF Group's 50% share of pro forma EBITDA from IOM and associated income tax expense;
- borrowing costs; and
- incremental operating costs.

The pro forma statutory net profit for the Post Proposal IOF Group includes fair value adjustment gains and losses, and other non-FFO adjustments recorded in the IOF Consolidated Financial Statements at 31 December 2016. The forecast statutory net profit does not include the impact of any further adjustments to these items for the six months ended 30 June 2017.

IOF's 'best estimate' and 'general' assumptions outlined in section 4.5 to 4.7 have been assumed in calculating the forecast statutory net profit.

	\$m
Pro Forma Consolidated FFO	182.5
Adjustment to exclude IOF's incremental FFO from IOM acquisition prior to acquisition date	(1.3)
Net gain/(loss) on change in fair value for 1HFY17 of:	
Investment properties	176.0
Derivatives	(15.3)
Net foreign exchange loss for 1HFY17	(11.6)
Amortisation of tenant incentives	(33.8)
Straight-lining of lease revenue	(4.0)
Other items	1.5
Pro forma statutory net profit	294.0

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4.9 KEY ACCOUNTING POLICIES

The accounting policies used to prepare the Pro Forma Financial Information are based on the accounting policies of IOF contained in the annual financial report for the year ended 30 June 2016 with exceptions as noted. The significant accounting policies below apply estimates, judgements and assumptions, which could materially affect the financial results or financial position reported in future periods.

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

Investment properties comprise land and buildings as well as integral plant and equipment to form a composite asset. Investments properties are initially measured at cost, including transaction costs incurred as a result of implementation of the Proposal and any capital expenditure which enhance the future economic benefits of the asset. Leasing fees incurred and incentives provided (such as cash, rent-free periods, or lessee or lessor owned fit-outs) are also capitalised to the investment property and are amortised on a straight-line basis over the term of the lease as a reduction of rental income.

Investment properties are subsequently carried at fair value, which is calculated at their highest and best use reflecting market conditions at the measurement date. IOF considers the current use of the investment properties as their highest and best use. Gains or losses arising from changes in the fair values of investment properties are included in the Pro Forma Consolidated Statement of Comprehensive Income.

c) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred as a result of implementation of the Proposal, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs incurred as a result of implementation of the Proposal) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are deferred and expensed over the term of the relevant agreement while all other finance costs are expensed. Borrowings are classified as current liabilities unless IOF has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

d) Borrowings costs

Borrowings costs include interest, amortisation or ancillary costs incurred in connection with arrangement of borrowings and payment and receipts associated with interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying development assets.

e) Investments in joint ventures (including the proposed investment in IOM)

Investments in joint ventures are accounted for using the equity method after initially being recognised at cost. Any goodwill or fair value adjustment attributable to the Post Proposal IOF Group's share in the joint venture is not recognised separately and is included in the total amount recognised as an investment. The carrying amount of the investment in joint ventures is increased or decreased to recognise the Post Proposal IOF Group's share of the profit or loss and other comprehensive income of the joint venture entity. Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Post Proposal IOF Group's interest in those entities. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

4.10 NEW ACCOUNTING POLICIES

A new accounting policy will become applicable as a result of the Proposal:

Management rights – represent the management rights held by IOM relating to IOF, ICPF Fund and under the Private Mandates. These management rights entitle IOM to management fee revenue. The management rights that are deemed to have a finite useful life are measured at cost and amortised using the straight-line method over the remaining useful life. Management rights with indefinite useful lives are not subject to amortisation and are tested for impairment annually.

4.11 FUNDING FOR THE PROPOSAL

The total funding required in connection with the Proposal is estimated to be approximately \$49.7 million. Funding will be sourced entirely from external debt with IOF drawing down existing bank debt facilities. IOF's gearing of 26.5% as at 31 December 2016, which was reduced to 22.3% incorporating the settlement of the property sales will be increased by 1.6% to 23.9% to reflect the additional funding for this Proposal.²⁴

²⁴) Gearing (%) excludes the impact of April 2017 Valuations outlined in 4.13.

FINANCIAL INFORMATION

SECTION 4

4.12 PRO FORMA CONSOLIDATED FFO SENSITIVITY ANALYSIS FOR THE POST PROPOSAL IOF GROUP

The Pro Forma Consolidated FFO is based on Consolidated FFO for the year to 30 June 2017, which is in turn based on certain assumptions about future events that are subject to business, economic and competitive uncertainties and contingencies which may be beyond the control of the Post Proposal IOF Group.

Pro Forma Consolidated FFO is sensitive to a number of key assumptions, in particular the fee revenue received from IOF, ICPF Fund and third party mandates as well as IOM expenses. Below is a summary of the impact on the Combined Group's Pro Forma Consolidated FFO to variations in these assumptions.

	FFO \$m	Cents per unit
Base case	182.5	29.7
Change in 50% of IOM fee revenue from ICPF, IOF and third party mandates by +/-5% (net of tax)	+1.1/-1.1	+0.2/-0.2
Change in 50% of IOM expenses by +/-5% (net of tax)	+0.9/-0.9	+0.1/-0.1

4.13 IMPACT OF APRIL 2017 VALUATIONS ON KEY FINANCIAL METRICS

Further to IOF's announcement on 7 April 2017 to the ASX, the Independent Directors of ILFML, have commissioned independent property valuations for all of IOF's 20 properties as at 30 April 2017. The independent valuations have resulted in an increase of \$182.9 million or 5.0% over book value.

The impact of the independent property valuations on key financial metrics of IOF post the impact of the property sales outlined in section 4.2 above but prior to the impact of the Proposal, is shown in the following table:

	IOF ²⁵	Incorporating April 2017 Valuations
Total assets (\$m)	3,756.1	3,939.0
Total liabilities (\$m)	997.2	997.2
Net assets (\$m)	2,758.9	2,941.8
Units on issue (m)	614,047	614,047
NTA per unit (\$)	4.49	4.79
Gearing (%)	22.3	21.2

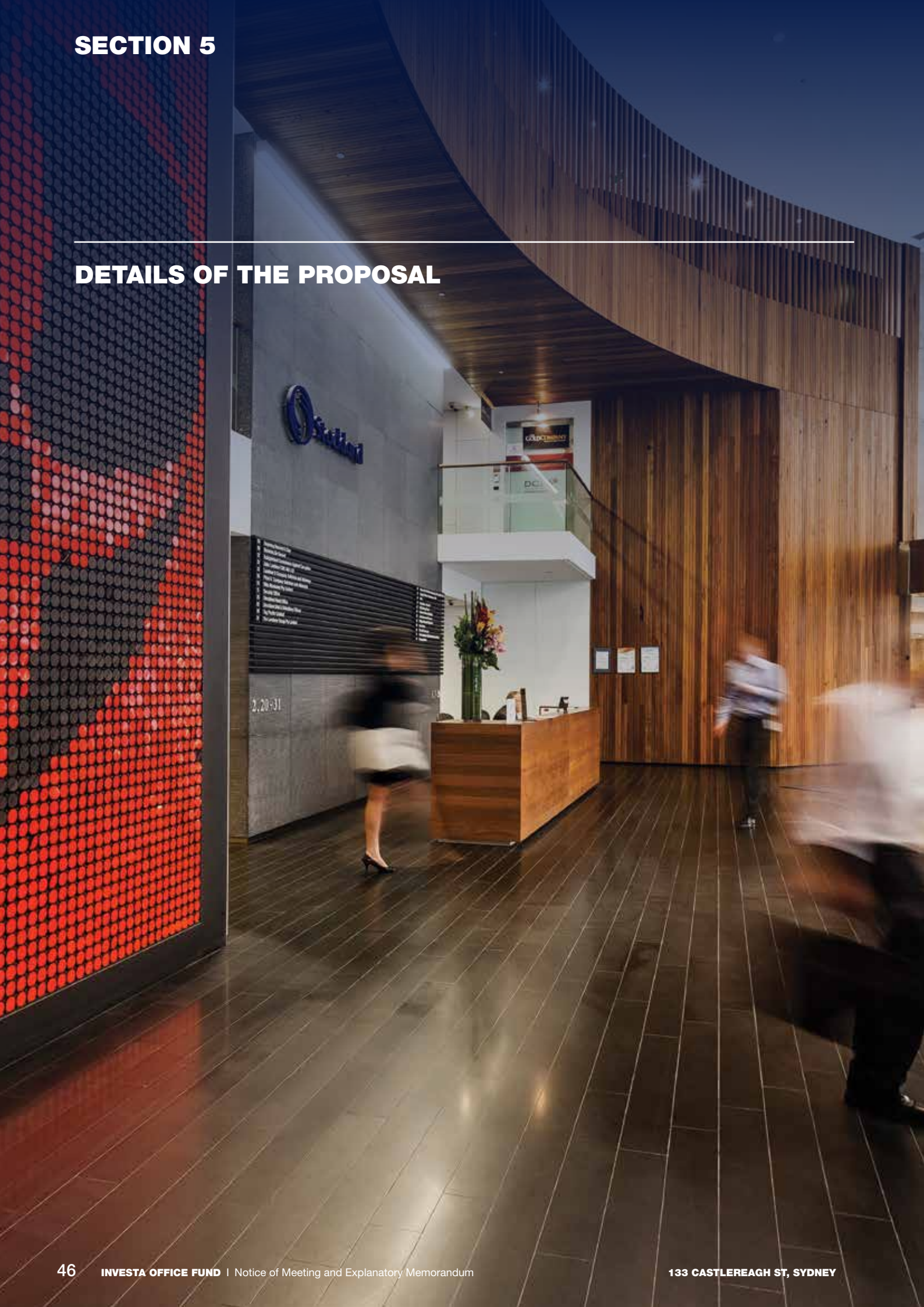
The impact of the draft independent property valuations on the key financial metrics of the Post Proposal IOF Group (as outlined in 4.2) is shown in the following table:

	Post Proposal IOF Group ²⁶	Incorporating April 2017 Valuations
Total assets (\$m)	3,805.8	3,988.7
Total liabilities (\$m)	1,046.9	1,046.9
Net assets (\$m)	2,758.9	2,941.8
Units on issue (m)	614,047	614,047
NTA per unit (\$)	4.42	4.72
Gearing (%)	23.9	22.8

25) Post the impact of property sales but before the impact of the Proposal.

26) Post the impact of property sales and the impact of the Proposal.

DETAILS OF THE PROPOSAL



DETAILS OF THE PROPOSAL

SECTION 5

5.1 SUMMARY OF THE PROPOSAL

The Proposal involves the acquisition of 50% of IOM for a purchase price of \$45 million, adjusted for working capital and other agreed reimbursement adjustments by way of a customary working capital adjustment using completion accounts. As part of the acquisition, Newco Acquirer and IOMH will enter into a Joint Venture Agreement with respect to the governance of the Management Platform. It is currently expected that completion of the acquisition of 50% of IOM will occur on or around 1 July 2017.

In connection with the Proposal, IOF will implement a group restructure, including a Capital Distribution, and the shares of Newco, a new Australian public company, will be stapled to the units of the Existing IOF Entities.

If implemented, all IOF Unitholders will receive an equivalent number of New Stapled Securities to the number of Existing Securities held by them as at the Transaction Record Date, with the exception of Foreign Holders, whose Existing Securities (and the Newco Shares to which they would otherwise be entitled) will be sold via a sale facility. Foreign Holders will receive the proceeds of that sale less withholding or other tax (if any).

5.2 STEPS TO IMPLEMENT THE PROPOSAL

Step	Description of step
Step 1	Incorporation of Newco and Newco Acquirer Incorporation of a new Australian public company Newco. Mr Andrew Murray, the Company Secretary of ILFML, is the sole initial shareholder of Newco (Initial Shareholder). Newco Acquirer was incorporated as a wholly-owned subsidiary of Newco on the same day. This step was completed on 24 April 2017 in anticipation of the Proposal.
Step 2	Execution of transaction documents, subject to security holder approval On 5 May 2017, Newco Acquirer and IOMH executed a Share Purchase Agreement in respect of 50% of the shares in IOM. As part of the acquisition of 50% of IOM, Newco Acquirer and ICPH will enter into a Joint Venture Agreement governing the ongoing governance of IOM including shareholder rights.
Step 3 (31 May 2017)	Unitholder meeting Meeting of IOF Unitholders to vote on the Resolution.
Subject to the Resolution being passed as an ordinary resolution	
Step 4	Admission to official list of ASX Newco will be admitted as part of the IOF staple to the official list of ASX.
Step 5	Transfer of foreign holdings to nominee IOF Unitholders that have a registered address outside Australia (Foreign Holders) will have their Existing Securities sold via a Sale Facility. ILFML, acting as agent and attorney, will: <ul style="list-style-type: none">– transfer the legal title to the Existing Securities of the Foreign Holders to a Sale Nominee; and– following declaration of the Capital Distribution (see Step 6 below), apply the proceeds of the Capital Distribution to which the Foreign Holders are entitled to fund the subscription price for Newco Shares (to be issued by Newco to the Sale Nominee and stapled to the Existing Securities), see Step 7 below. <p>The proceeds of the eventual sale of the New Stapled Securities by the Sale Agent will be remitted to Foreign Holders (see further step 12 below), see Step 7 below.</p>
Step 6	Capital distribution ILFML will make a pro rata distribution of capital (the Capital Distribution) to IOF Unitholders out of the assets of one or both of the trusts that form IOF (AJO Fund and PCP Trust). ILFML will apply the proceeds of the Capital Distribution to fund the subscription price for Newco Shares as described in the steps below.
Step 7	Issue of Newco Shares Each eligible IOF Unitholder (being IOF Unitholders other than Foreign Holders who have been required to sell their Existing Securities via the Sale Facility) and the Sale Nominee (in respect of Foreign Holders) will be issued one fully paid ordinary Newco Share for each Existing Security. ILFML will pay the subscription price for Newco Shares using the proceeds of the Capital Distribution.
Step 8	Cancellation of Newco Share held by Initial Shareholder Newco will cancel the Newco Share held by the Initial Shareholder.

DETAILS OF THE PROPOSAL

SECTION 5

Step	Description of step
Step 9	Stapling Newco and ILFML will staple the units in AJO and PCP and the shares in Newco in the ratio 1:1:1.
Step 10	Sale by Sale Agent The Sale Agent will commence selling the New Stapled Securities to which the Sale Nominee has legal title.
Step 11	Proceeds of sale by Sale Agent remitted to Foreign Holders The proceeds of sale (less any fees payable under the Sale Facility and any withholding or other taxes (if any)) will be remitted to Foreign Holders in such proportions as the number of Existing Securities held by a Foreign Holder at the Transaction Record Date bore to the total number of Existing Securities held by all Foreign Holders at that date.
Step 12	Acquisition of 50% of IOM Newco Acquirer (a wholly owned subsidiary of Newco) acquires 50% of the issued shares in IOM. It is currently expected that completion will occur on or around 1 July 2017.

5.3 KEY DATES

The key dates on page 03 of this Explanatory Memorandum provide an illustration of the likely timing for implementing the steps set out in section 5.2. Note the key dates are indicative only and they may change. If it is likely that they will change materially, ILFML will make an ASX announcement about the change.

5.4 CONDITIONS PRECEDENT TO THE PROPOSAL

a) Conditions precedent to the implementation of the Proposal

The implementation of Steps 4 to 11 above is subject to the following conditions precedent.

Condition Precedent	Status
(IOF security holder approval) the Resolution must be approved as an ordinary resolution at the Meeting	The Meeting is to be held at 10.00am (Sydney time) on Wednesday, 31 May 2017 at Times on the Park Room, Sheraton on the Park, 161 Elizabeth Street, Sydney NSW 2000.
(Independent Expert's Report) IER concludes that the Purchase Price for the 50% IOM Acquisition is fair and reasonable to IOF Unitholders that are not associated with IOM, and the 50% IOM Acquisition is on arm's length terms (and there has been no change to this opinion)	Satisfied as at the date of this Explanatory Memorandum.
(ASIC relief) All relevant ASIC relief has been granted (or ASIC has indicated that such relief is not required)	ILFML has applied to ASIC for the relief necessary to despatch this document and to implement the Proposal. ASIC has granted the relief necessary to despatch this document. It is yet to finalise its review of the relief necessary to implement the Proposal.
(ASX waivers) All relevant ASX waivers and confirmations have been granted (or ASX has indicated that such waivers or confirmations are not required)	ILFML has applied to ASX for all relevant waivers and confirmations necessary to implement the Proposal. ASX has provided the confirmations necessary to despatch this document and is still considering the remaining requests.
(No change of board recommendation) None of the directors of ILFML change, qualify, or withdraw their voting intention to vote in favour of the Proposal or their unanimous recommendation to unitholders to vote in favour of the Proposal	Satisfied as at the date of this Explanatory Memorandum.
(No regulatory action) No regulatory authority has taken action to restrain or prohibit implementation of the Proposal	ILFML is not currently aware that any regulatory authority has taken action to restrain or prohibit implementation of the Proposal.
(Admission to ASX) Approval of ASX to the admission of Newco to the official list of ASX and for the quotation of the new stapled group.	Newco lodged with the ASX a listing application on 4 May 2017.

b) Conditions precedent to completion of the 50% IOM Acquisition

Completion under the Share Purchase Agreement is subject to the conditions precedent summarised in Annexure D.

DETAILS OF THE PROPOSAL

SECTION 5

5.5 SALE AGREEMENT FOR THE 50% IOM ACQUISITION

Under the Share Purchase Agreement, Newco Acquirer will acquire 50% of the issued share capital of IOM for a purchase price of \$45 million, adjusted for working capital and other agreed reimbursement adjustments by way of a customary working capital adjustment using completion accounts. The key terms of the sale agreement are summarised in Annexure D.

5.6 IMPACT OF PROPOSAL ON MATERIAL AGREEMENTS

a) IOM

Change of control

ILFML has not identified any change of control clauses in material agreements to which IOM is party which will be triggered by implementation of the Proposal.

Management Deed

Newco will accede to the Management Deed between IOM and ILFML for the provision of fund management services to IOF, with some consequential changes to that deed as a result. The key terms of the Management Deed are summarised at Annexure D.

Governance Deed Poll

Pursuant to a deed poll made by IOM in ILFML's favour (as its sole shareholder) dated 10 June 2015 IOM gave undertakings in relation to its holding of ILFML shares and undertook to give effect to certain governance principles regarding the composition of the ILFML board. These governance principles include that ILFML will have a board comprised of a majority of independent directors (with an independent Chair) and that each director will serve a three year term.

Following the implementation of the Proposal, the governance structure of IOM will be determined by the terms of the Joint Venture Agreement, including governance principles equivalent to those which apply in respect of the ILFML board under the existing IOM governance deed poll. The governance deed poll will therefore be terminated in connection with implementation of the Proposal.

b) ILFML

Under the terms of IOF's bank debt facilities, majority financier consent is required for the Capital Distribution to occur and for the requirement for Newco to provide a guarantee in respect of IOF's bank debt facilities to be waived. ILFML sought these consents and the consents have been obtained.

As described in section 5.6(a) above, Newco will accede to the existing Management Deed governing the arrangement between IOM and ILFML for the provision of fund management services to IOF (with some consequential changes) on implementation of the Proposal.

5.7 ICPF'S INTEREST IN THE PROPOSAL

ICPF, through its wholly-owned subsidiary, IOMH, currently owns 100% of the shares in IOM. As a result, ICPF indirectly owns ILFML, the responsible entity of IOF. In addition, ICPF Fund (through its responsible entity IWFML) currently holds, together with IWFML's related bodies corporate, approximately 8.94% of the Existing Securities, however this interest is not able to be voted for or against the Resolution at the Meeting.

If the Proposal is implemented, Newco Acquirer and IOMH will each own 50% of the Management Platform.

5.8 AUSTRALIAN TAXATION REPORT AND STAMP DUTY

Allens was engaged by the Independent Directors to prepare an Australian Taxation Report summarising the Australian tax and stamp duty consequences for IOF Unitholders that will arise from implementation of the Proposal, which has been included as part of the Explanatory Memorandum in Annexure B.

Allens has consented to the inclusion of this Australian Taxation Report in the Explanatory Memorandum but this consent should not be taken as a statement about any other matter in the Explanatory Memorandum or in relation to IOF or the performance of any investment in IOF.

The Independent Directors recommend to IOF Unitholders that they seek their own independent tax advice relevant to their own specific circumstances. IOF Unitholders who are not resident in Australia must obtain advice on the taxation implications arising from the Proposal in their local jurisdiction.

5.9 FOREIGN HOLDERS

For the reasons outlined in section 8.6 of this Explanatory Memorandum, Newco Shares will not be issued to Foreign Holders under the Proposal.

IOF Unitholders that have a registered address outside Australia will have their Existing Securities sold via a sale facility. ILFML, acting as agent and attorney, will transfer the legal title to the Existing Securities held by such investors to a Sale Nominee (for eventual sale of those units following stapling with Newco, with the proceeds to be remitted to Foreign Holders).

More information on the Sale Facility and the treatment of Foreign Holders can be found in section 8.6 of this Explanatory Memorandum.

SECTION 6

NEWCO SHARES

NEWCO SHARES

SECTION 6

The information in this section 6 is the responsibility of Newco and is provided by Newco in connection with the issue by Newco of Newco Shares as part of the Proposal.

6.1 NEWCO TO FORM PART OF THE IOF STAPLED GROUP

Following stapling of Newco Shares to the Existing Securities, Newco will form part of the IOF stapled group and, following completion of the 50% IOM Acquisition, will indirectly own (through a wholly owned subsidiary) 50% of the Management Platform. The New Stapled Securities comprising a Newco Share, an AJO Unit and a PCP Unit will be traded on the ASX under the ticker code IOF.

Further information on IOF, including its historical financial reporting, its assets, and its governance is available on the Website at www.investa.com.au/iof. Historical announcements made by IOF to the market are available at www.asx.com.au under the ASX ticker code IOF.

6.2 KEY FEATURES OF THE ISSUE OF NEWCO SHARES TO IOF UNITHOLDERS

Question	Answer	Where to find more information
1 What is the background to the issue of Newco Shares?	<p>Newco will issue 614,047,458 Newco Shares to IOF Unitholders on the register at the Transaction Record Date (that are not Foreign Holders) and, in respect of Foreign Holders, to the Sale Nominee if:</p> <ul style="list-style-type: none"> – the Proposal is approved by IOF Unitholders; and – all other conditions precedent as set out in Section 5.4(a) are fulfilled or waived. <p>IOF Unitholders are not required to pay for the Newco Shares or to complete any application forms. However, the Capital Distribution to be made as part of the Proposal will not be paid to IOF Unitholders. Rather, it will be applied by ILFML, on behalf of IOF Unitholders in payment of the issue price for the Newco Shares.</p> <p>The effective issue price of Newco Shares is therefore equal to the Capital Distribution, being \$0.0815 per share.</p> <p>Once issued, each Newco Share will be stapled to a AJO Unit and a PCP Unit to form a New Stapled Security, which will be quoted and trade on the ASX as a single security initially under the ASX ticker code IOF.</p>	<p>Section 1 of this Explanatory Memorandum provides further information in relation to the Proposal and New Stapled Securities.</p> <p>Section 5.4(a) of this Explanatory Memorandum provides further information in relation to the conditions precedent to implementation of the Proposal.</p> <p>Sections 5.1 and 5.2 provide further information in relation to the Capital Distribution.</p>
2 Who is Newco?	<p>Newco is a public company limited by shares which was incorporated specifically for the purposes of implementing the Proposal. Mr Andrew Murray, Company Secretary of ILFML, is currently the sole shareholder in Newco.</p> <p>Newco does not currently hold shares or interests in any other entity except Newco Acquirer (incorporated on 24 April 2017 as a wholly-owned subsidiary of Newco). Newco Acquirer will be the purchaser of 50% of the shares in IOM if the Proposal is implemented and completion of the 50% IOM Acquisition occurs. As a result, Newco will have a 50% indirect interest in IOM.</p> <p>Upon implementation of the Proposal and issue of the Newco Shares pursuant to this Explanatory Memorandum, Mr Andrew Murray will cease to hold any shares in Newco and Newco will be owned by holders of the New Stapled Securities.</p>	<p>Section 5.2 of the Explanatory Memorandum sets out further information on the steps to implement the Proposal.</p>
3 Are there any conditions to the issue of Newco Shares?	<p>Yes. Newco Shares will only be issued if the Proposal is approved. The implementation of the Proposal and issue of Newco Shares is conditional upon satisfaction of a number of conditions precedent as set out in Section 5.4(a), including the Proposal being approved by IOF Unitholders.</p>	<p>Section 5.4(a) of this Explanatory Memorandum provides further information in relation to the conditions precedent to implementation of the Proposal.</p>

NEWCO SHARES

SECTION 6

Question	Answer	Where to find more information
4 What are the rights attaching to the Newco Shares?	Newco Shares are ordinary shares in a public company limited by shares. All Newco Shares on issue at the date of this Explanatory Memorandum are fully paid. Newco Shares to be allotted and issued in accordance with the Proposal will be credited as fully paid on issue.	Section 6.4 of this Explanatory Memorandum sets out further information about the rights and liabilities attaching to Newco Shares.
5 What is the nature of Newco's business?	<p>At the date of this Explanatory Memorandum, Newco's sole purpose is to indirectly acquire (through its wholly-owned subsidiary) 50% of the shares on issue in IOM in the event the Resolution is passed and its sole activity will be to indirectly hold that interest.</p> <p>Following implementation and completion of the 50% IOM Acquisition, Newco will hold an interest in one of Australia's largest specialist office groups. The strategy of the Post Proposal IOF Group will include a continuation of IOF's existing strategy, as well as a focus on the management and governance of the Management Platform.</p>	The business and assets of IOM are detailed in section 3 of this Explanatory Memorandum.
6 What is the financial position of Newco?	Newco was incorporated on 24 April 2017 and has had no material financial history. Except for all of the shares in Newco Acquirer (acquired on the incorporation of Newco Acquirer on 24 April 2017), Newco does not currently hold shares or interests in any entity.	Sections 6.9 and 4 of this Explanatory Memorandum.
7 What are the key risks faced by holders of Newco Shares?	<p>Following implementation of the Proposal, holders of Newco Shares will be subject to the same risks which apply to IOF Unitholders.</p> <p>Some of those risks relate to the Proposal and are reasons why IOF Unitholders may choose to vote against the Proposal. Some of those risks relate to an investment in IOF. Other risks are general risks that apply in relation to investments in securities listed on the ASX.</p> <p>IOF Unitholders should carefully read section 2.3 of the Explanatory Memorandum in its entirety as that section describes these risks which, if realised, may have a material impact on Newco's future financial performance and/or its financial position and its prospects.</p> <p>If those risks are realised, the trading price of a New Stapled Security (which includes a Newco Share) could be negatively affected.</p> <p>Some further key risks associated specifically with an investment in Newco are set out below. IOF Unitholders should note that the occurrence or consequences of many of these risks are beyond the control of Newco, its directors or key management.</p> <p>New Stapled Securities</p> <p>Given that Newco Shares will form part of New Stapled Securities, the trading value of Newco Shares will be dependent on the trading price of New Stapled Securities on the ASX. The value of Newco Shares is necessarily reliant on the value of the IOF for so long as the stapling provisions for New Stapled Securities apply.</p>	Refer to Section 2.3 for risks associated with the Proposal.

NEWCO SHARES

SECTION 6

Question	Answer	Where to find more information
7 What are the key risks faced by holders of Newco Shares? <i>continued</i>	<p>Tax</p> <p>IOF Unitholders who receive Newco Shares will become the owners of Newco and its subsidiaries (including an indirect 50% interest in IOM following implementation of the Proposal) and there may be unforeseen tax liabilities in IOM. This risk may be mitigated to the extent Newco is able to claim under the warranties and indemnities provided by IWFML to ILFML under the Share Purchase Agreement.</p> <p>Please refer to the Australian Taxation Report at Annexure B of this Explanatory Memorandum for further information.</p> <p>ASX listing</p> <p>Whilst Newco will seek to comply with its listing obligations, there can be no assurance that the requirements necessary to maintain the listing of New Stapled Securities (which includes Newco Shares) will continue to be met or remain unchanged.</p>	
8 Who are the directors of Newco, and will those directors change if the Proposal is implemented?	<p>The directors of Newco are:</p> <ul style="list-style-type: none"> – Richard Longes – John Fast – Geoffrey Kleemann – Robert (Bob) Seidler AM <p>Please refer to section 6.4 for a summary of the board appointment and rotation provisions in the Newco Constitution, and section 6.7 for information on the alignment of the Newco and ILFML boards following implementation of the Proposal.</p>	Sections 6.4, 6.6 and 6.7
9 Who will be the proposed management of Newco if the Proposal is implemented?	<p>Newco's purpose is to indirectly hold (through its wholly-owned subsidiary) 50% of the Management Platform. Newco will not have any employees.</p> <p>Newco expects to retain IOM's existing organisational structure and senior management team in substantially the same form following the implementation of the Proposal.</p> <p>If the Proposal is implemented, Newco Acquirer will have influence over the appointment of senior IOM executives and will have veto rights over the appointment of the IOM key staff who will be dedicated to IOF.</p>	<p>The governance and management arrangements of the Management Platform following implementation of the Proposal are detailed in section 1.2 and Annexure D.</p> <p>Profiles of current key management personnel of IOM are set out in section 3.13.</p>

6.3 CAPITAL STRUCTURE

The capital structure of Newco prior to and following implementation of the Proposal is set out below:

Type of securities	Number of securities on issue prior to implementation	Number of securities proposed to be on issue on the date Newco is admitted to the official list of the ASX	Number of securities proposed to be issued following Newco's admission to the official list of the ASX in accordance with material contracts or agreements
Ordinary shares	1 ordinary share	<p>Such number of securities as are held by IOF Unitholders as at the Transaction Record Date.</p> <p>The Initial Shareholder's share in Newco will be cancelled prior to the time at which trading in the New Stapled Securities commences.</p>	Nil

No shares in Newco will be issued or sold on the basis of this prospectus after the completion of the Proposal and in any event, no shares in Newco will be issued or sold under the prospectus more than 13 months after the date of this prospectus.

NEWCO SHARES

SECTION 6

6.4 KEY RIGHTS ATTACHING TO NEWCO SHARES

Newco's Constitution sets out the rights that attach to Newco Shares. The rights are also regulated by the Corporations Act, the ASX Listing Rules and the general law.

A copy of Newco's Constitution will be made available free of charge during the period of this Explanatory Memorandum by contacting the Unitholder Information Line on +61 1300 851 394, between 8:30am and 5:30pm Monday to Friday (Sydney time).

The rights attaching to Newco Shares are summarised below. Following implementation of the Proposal, the rights attaching to Newco Shares will also be subject to the stapling arrangements of IOF (see further section 6.5 below).

Topic	Rights and obligations of Newco Shares
General	Immediately after allotment and issue of the Newco Shares, which is expected to occur on 13 June 2017, Newco Shares will be fully paid ordinary shares and will rank equally with all other ordinary shares on issue. The rights attaching to the Newco Shares are set out in the Newco Constitution and are regulated by the Corporations Act, the ASX Listing Rules and general law.
Entitlement	The Newco directors may pay dividends to holders of New Stapled Securities out of the profits of Newco. The Newco directors may fix the amount, the time and the method of payment.
General meetings	<p>A holder of a Newco Share is entitled to receive notices of general meeting of Newco in accordance with the Corporations Act.</p> <p>The non-receipt of notice of a general meeting by, or the accidental omission to give notice of a general meeting or cancellation or postponement of a general meeting to, a person entitled to receive notice does not invalidate any resolution passed at the general meeting. Subject to the Corporations Act, the Newco board may postpone, cancel or change the place of a general meeting by written notice to the ASX.</p>
Voting rights	Subject to any voting restrictions applicable to the relevant resolution, at a general meeting of Newco, every member present in person and each other person present as a proxy, attorney or representative has one vote on a show of hands and one vote for each fully paid Newco Share on a poll. A member is not entitled to vote on shares which are subject to a restriction agreement per the ASX Listing Rules. Members who hold partly paid shares may only vote in proportion to the aggregate amount paid on those shares.
Issue of additional shares	<p>The Newco directors may (subject to the restrictions on issue of the Newco Shares imposed by the Newco Constitution, the ASX Listing Rules and the Corporations Act):</p> <ul style="list-style-type: none">– issue or dispose of shares to any person at any time and on any terms and conditions and having attached to them any preferred, deferred or other special rights or restrictions, whether with regard to dividend, voting, return of capital, payment of calls or otherwise, as the Newco directors think fit and on any terms the Newco directors think fit; and– grant to any person an option over shares or pre-emptive rights at any time and for any consideration as they think fit. <p>The Newco Constitution provides that the rights conferred on the holders of the Newco Shares of any class are not to be taken as varied by the issue of additional Newco Shares ranking equally with the first-mentioned shares unless expressly provided by the terms of issue of the first-mentioned shares, or unless required by the ASX Listing Rules or the Newco Constitution.</p>
Alterations to capital	Newco may reduce or alter its share capital in any manner provided for by the Corporations Act. The board may do anything that is required to give effect to any resolution authorising reduction or alteration of the share capital of Newco.

NEWCO SHARES

SECTION 6

Topic	Rights and obligations of Newco Shares
Transferability of shares	<p>While New Stapled Securities (which include Newco Shares) are quoted on ASX, Newco shareholders will generally be able to sell or transfer New Stapled Securities without restriction.</p> <p>The Newco directors may refuse to register any transfer of New Stapled Securities, Newco Shares or other securities in circumstances permitted by the ASX Listing Rules and the Newco Constitution. The Newco directors must refuse to register any transfer of Newco Shares where they are required to do so by the ASX Listing Rules or the Newco Constitution.</p>
Directors – appointment and rotation	<p>Under the Constitution, the minimum number of directors that may comprise the board is three and the maximum is 12 unless shareholders pass a resolution varying that number. Directors are elected at annual general meetings of Newco. No director (excluding the managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the director was last elected or re-elected. The directors may also appoint a director to fill a casual vacancy on the board or in addition to the existing directors, who will then hold office until the next annual general meeting of Newco.</p>
Entitlement on winding up	<p>Subject to the Newco Constitution and to any rights of a member holding shares issued on special terms and conditions, if Newco is wound up, the liquidator may, with the sanction of a special resolution, divide among the members of Newco in kind the whole or any part of the property of Newco and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the members or different classes of members.</p>
Amendments to the Newco Constitution	<p>The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the members of the company (that is, passed by at least 75% of the votes cast by members entitled to vote on the resolution). The Newco Constitution does not provide for any further requirements to be complied with to effect a modification of, or to repeal, the Newco Constitution (except if the amendments affect the stapling of Newco in which case a resolution of the members of each other entity in the stapled group of which Newco forms a part would need to be obtained).</p>

The summary above is not intended to be an exhaustive or definitive summary of all rights and obligations of holders of Newco Shares.

6.5 NEWCO AS PART OF A STAPLED GROUP

The Constitution of Newco and the Stapling Deed contains provisions setting out how Newco will operate as part of the IOF stapled entity. These provisions include that there must be no transfer, issue, redemption or other dealing in AJO Units or PCP Units unless there is also an identical dealing by the same parties with a Newco Share.

The key terms of the Stapling Deed are set out in Annexure D, which also includes a summary of how the stapling can be undone and what occurs if the stapling is undone.

AJO Fund and PCP Trust, the other entities in the stapled group, together currently form IOF. ILFML is the responsible entity for the AJO Fund and PCP Trust. IOF has total assets under management of \$3.8 billion with 22 investments located in core CBD markets throughout Australia.²⁷ The AJO Fund and PCP Trust (through ILFML) will continue to hold these assets if the Proposal is approved and implemented and Newco's operations will be limited to those associated with holding the 50% indirect interest in IOM.

²⁷) As at 31 December 2016. Since December 2016, two properties have been sold and as at the date of this Explanatory Memorandum, IOF owns 20 properties. For information on the April 2017 Valuations of all of IOF's 20 current properties, refer to section 4.13.

6.6 BOARD OF NEWCO

Richard Longes

Independent Director
and Chairman



- Richard is an Independent Director and Non-Executive Chairman of ILFML and Newco.
- Richard is also Chairman of Liberty Financial Pty Ltd, Terrace Tower Group Pty Ltd and Investec Australia Limited. He was previously Chairman of GPT and Deputy Chairman of Lend Lease, as well as a director of a number of public companies.

John Fast

Independent Director



- John is founder and Joint Managing Director of international specialist advisory firm Dragoman Pty Ltd. Previously, John held the role of Chief Legal Counsel and Head of External Affairs at BHP Billiton and was a member of the Office of Chief Executive at the firm. Before joining BHP Billiton, John was the senior commercial lawyer at Arnold Bloch Leibler.
- John is a former member of the Federal Government's Takeovers Panel and consults to a number of private and public companies on governance, succession and strategy.
- In addition to his role as a Non-Executive Director of ILFML and Newco, John is also a Non-Executive Director of the Australian Brandenburg Orchestra, Chairman of NIEF Ltd, Chairman of the Advisory Board of the Rotary Aboriginal and Torres Strait Islanders Tertiary Scholarship and Deputy Chairman of the Norman Beischer Medical Research Foundation.

Robert (Bob) Seidler AM

Independent Director



- A lawyer by profession, Bob has extensive experience as a Non-Executive Director in the banking, property, funds management and construction industries and has served on several Federal and State Government Committees. He has worked in Asia for more than 40 years with extensive commercial experience both in Japan and Australia. While living in Japan, Bob was appointed to the Japanese Ministry of International Trade and Industry Import Board representing Australia and New Zealand and was a member of the Australian Chamber of Commerce Executive Committee.
- Currently he is a board member of CIMIC Group Limited (formerly Leighton Holdings Ltd), Vice-President of the Australia-Japan Business Co-operation Committee, the NSW Governments Special Envoy-Japan and Chairman of Hunter Phillip Japan.
- Bob recently retired as Chairman Leighton Asia, Chairman Leighton Properties and as a Member of the Federal Government's Corporations and Markets Advisory Committee.
- Bob was made a member of the General Division of the Order of Australia for services to the international business community for development of Australia-Japan bilateral commercial relations and the generation of new business opportunities.
- Bob was also awarded The Order of the Rising Sun, Gold Rays with Neck Ribbon by the Emperor of Japan in recognition of his contribution to strengthening economic relations between Japan and Australia.

Geoff Kleemann

Independent Director



- Geoff was previously an Independent and Non Executive Director of Asciano Ltd and a Non Executive Director of Broadpectrum and was Chief Financial Officer at a number of major Australian companies including Crown Limited, Publishing and Broadcasting Ltd and Woolworths Limited.

The table at section 6.4 describes the Director appointment and rotation policy under the Newco Constitution.

NEWCO SHARES

SECTION 6

6.7 ALIGNMENT OF NEWCO AND ILFML BOARDS

The composition of the boards of Newco and ILFML will be aligned, with the same directors being appointed to the board of ILFML as those approved by New Stapled Securityholders as directors of Newco.

6.8 ASX LISTING OF NEWCO

On 4 May 2017, an application was made on behalf of Newco for its admission to the official list of the ASX and quotation of the New Stapled Securities to commence trading on a deferred settlement basis on the ASX following implementation of the Proposal.

One of the conditions precedent to implementation of the Proposal is that the ASX has granted all approvals that ILFML reasonably requires. The waivers and confirmations sought by ILFML are set out in section 8.8. If the ASX does not approve the admission of Newco to the official list or the quotation of New Stapled Securities, a Condition Precedent to the Proposal will not have been satisfied and the Proposal will not proceed.

If the Proposal is implemented, each New Stapled Security will consist of a Newco Share, an AJO Unit and a PCP Unit which will be quoted on a 1:1:1 basis.

6.9 FINANCIAL INFORMATION

This section 6 of the Explanatory Memorandum (which is a prospectus in relation to the issue of Newco Shares) sets out the financial information relating to Newco. You should also read section 4 of the Explanatory Memorandum, which sets out certain pro forma financial information (including the basis of preparation and key accounting policies relating to this financial information) to illustrate the likely pro forma financial impact on IOF of the Proposal being implemented.

Newco was incorporated on 24 April 2017.

a) Basis of preparation

The financial information contained in this section 6.9 has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The accounting policies used to prepare the following financial information are consistent with the accounting policies of IOF contained in the financial statements for the year ended 30 June 2016. Key accounting policies of IOF are shown in section 4 of the Explanatory Memorandum. Certain new accounting policies arising from the Proposal and relevant to the financial information are set out in section 4.10 of the Explanatory Memorandum.

b) Statement of Financial Position as at the date of this Explanatory Memorandum

Newco had net assets of less than \$1,000.00.

c) Pro Forma Newco Statement of Financial Position as at 31 December 2016

The pro forma statement of financial position for Newco has been prepared by:

- applying the equity accounting method to the investment in the 50% IOM Acquisition. The 50% IOM Acquisition will be initially recognised at cost, being \$46.5 million, represented by the Purchase Price of \$45 million and estimated working capital and other agreed reimbursement adjustments (estimated at \$1.5 million);²⁸ and

The Pro Forma Newco Statement of Financial Position as at 31 December 2016 is set out below:

	Newco \$m
Non-current assets	
Investments accounted for using the equity method	46.5
Total assets	46.5
Net assets	46.5
Total equity	46.5

The actual Newco Statement of Financial Position on completion of the Proposal (on or around 1 July 2017) will differ from the Pro Forma Statement of Financial Position as at 31 December 2016. The Pro Forma Statement of Financial Position as at 31 December 2016 does not reflect cash held, nor receivables and payables of Newco (and as a result, total equity of Newco), that were assessed in calculating the amount of the Capital Distribution.

- The Pro Forma Newco Statement of Financial Position differs significantly from the Pro Forma Consolidated Statement of Financial Position of IOF post Proposal (referred to as 'Post Acquisition' in this section) set out in section 4.2 of the Explanatory Memorandum, as the Pro Forma Newco Statement of Financial Position is on a standalone basis, whereas the Post Proposal IOF Group Pro Forma Consolidated Statement of Financial Position incorporates the 50% IOM Acquisition and consolidated statement of financial position of the Post Proposal IOF Group.

28) Excludes transaction costs recorded in the Pro Forma Consolidated Statement of Financial Position of IOF but not in Newco.

d) Financial performance

Newco was incorporated on 24 April 2017 and has one wholly owned subsidiary, Newco Acquirer (also incorporated on 24 April 2017). Neither company has yet traded.

If the 50% IOM Acquisition completes, Newco Acquirer will own 50% of IOM.

As Newco and Newco Acquirer are newly incorporated companies, there is no actual performance to include in this prospectus. Further, the Newco board does not have a reasonable basis to provide pro forma historical financial performance information that is sufficiently meaningful and reliable.

e) Newco prospects

After implementation of the Proposal, Newco will be the indirect holding company of IOF's interest in the Management Platform.

The strategy of IOF in relation to the Management Platform will include continuing to leverage and work closely with the Management Platform, and to continue to access pipeline rights with ICPF Fund and return on equity enhancing opportunities.

If the 50% IOM Acquisition completes, Newco Acquirer will own 50% of IOM, which in turn wholly owns both of IWFML and ILFML.

Further information in relation to the business of IOM is set out in section 3 of the Explanatory Memorandum and further information in relation to the post implementation financial position of IOF is set out in section 4 of the Explanatory Memorandum.

f) Dividend policy

Consistent with current practice, it is currently intended that IOF will continue to maintain a sustainable level of distributions and dividends. IOF targets a distributions and dividends payout ratio of 95-100% of AFFO through the cycle.

The payment of dividends by Newco, if any, is at the complete discretion of the Newco board. The decision as to whether or not a dividend will be paid is subject to a number of considerations, including the operating results and financial performance of Newco, capital requirements and regulatory restrictions and other factors that the Newco board may consider relevant.

The provisions of the Newco Constitution regarding payment of dividends is set out in section 6.4.

g) Tax

The Australian taxation consequences of the Proposal for IOF Unitholders, including in relation to the acquisition of Newco Shares under this Prospectus, are set out in the Australian Taxation Report included at Annexure B of the Explanatory Memorandum.

The comments contained in this Prospectus or the Explanatory Memorandum more generally do not constitute tax advice and should not be relied upon as such. IOF Unitholders should consult their own professional and independent tax advisers regarding the consequences of an investment in Newco Shares in light of the IOF Unitholder's particular circumstances.

6.10 CORPORATE GOVERNANCE

IOF is committed to the highest standards of corporate governance and ethical conduct, recognising both as essential components of IOF's responsibility to investors. Through its commitment to transparency, IOF has developed a robust framework to ensure its governance objectives are met, risk is monitored and assessed and performance is optimised.

During the year ended 30 June 2016, the corporate governance framework of IOF was consistent with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. It is the intention that the same corporate governance framework as applies to the Existing IOF Entities will apply equally to Newco following implementation of the Proposal.

IOF's corporate governance statement, as well as the policies referred to in the corporate governance statement, are available in the governance section of the Investa website at: www.investa.com.au/funds/investa-office-fund-iof/about-iof/governance/.

a) Audit committee

Newco will have an audit committee, which is expected to comprise Geoffrey Kleemann, Richard Longes, Robert Seidler AM and John Fast.

Newco will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the audit committee.

b) Remuneration committee

As all employees of the Management Platform will be employed by IOM or its Subsidiaries, Newco will not have any employees and as a result will not have a remuneration committee.

c) Nomination committee

The board of Newco will determine whether to establish a nomination committee, which, if organised, would comprise solely of Independent Directors. The board of Newco is conscious of the need to ensure that the board is of a size and composition appropriate to reflect a variety of skills and perspectives.

6.11 MATERIAL CONTRACTS

In connection with implementation of the Proposal, Newco and ILFML (in its capacity as responsible entity of AJO Fund and PCP Trust) will enter into the Stapling Deed and the existing stapling deed between Existing IOF Entities will be amended. The key terms of the Stapling Deed are summarised in Annexure D.

The following are the material contracts in connection with implementation of the Proposal:

- a) **Share Purchase Agreement**, pursuant to which Newco Acquirer will acquire from IOMH 50% of the shares on issue in IOM;
- b) **Joint Venture Agreement**, pursuant to which Newco Acquirer, IOMH and IOM agree the governance arrangements to apply to IOM following implementation of the Proposal;
- c) **Stapling Deed**, governing the relationship between the Stapled Entities; and
- d) **Management Deed**, governing the provision of management services by IOM to ILFML as responsible entity of the AJO Fund and PCP Trust, which Newco will accede to (with some consequential changes as a result). As part of the management services provided, IOM has bank facility arrangements in place, under which ILFML is provided a \$10 million bank guarantee to support the Australian Financial Services Licence obligations of ILFML. Following completion of the 50% IOM Acquisition, it is expected that Newco would provide a guarantee to support IOM's obligations under such facility in connection with the bank guarantee supporting ILFML's Australian Financial Services Licence obligations.

The key terms of these documents are summarised in Annexure D.

6.12 INTERESTS OF DIRECTORS AND REMUNERATION

- a) **Newco Shares:** As at the date of this Explanatory Memorandum, none of the directors of Newco hold any interests, whether directly, indirectly or beneficially, in Newco Shares.
- b) **Existing Securities:** Section 8.2(a) sets out the interests of the directors of Newco in Existing Securities. Following implementation of the Proposal, each director of Newco will have an interest in an equivalent number of Newco Shares as the number of Existing Securities held directly, indirectly or beneficially by them at the Transaction Record Date.
- c) **Remuneration:** Initially, the directors of Newco will not be remunerated for their role as directors of Newco. The Independent Directors of ILFML will continue to receive the director fees and (as relevant) Chairperson fees for their role as directors (and Chairperson) of ILFML. These fees are set out in section 8.2(c).
- d) **Independence:** Each Independent Director of Newco is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of that person's judgment.
- e) **Other interests:** Other than as described or referred to in this section 6.12:
 - i) no Newco director has, or has had at an time in the two years before the date of this prospectus, any interests in:
 - the formation or promotion of Newco;
 - any property acquired or proposed to be acquired by Newco in connection with its formation or promotion or the offer of the Newco Shares; or
 - the offer of the Newco Shares; and
 - ii) no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:
 - any Newco director, or proposed Newco director, to induce him or her to become a Newco director; or
 - any Newco director, proposed Newco director or promoter of Newco for services that he or she has provided in connection with either the formation or promotion of Newco or the offer of Newco Shares.

NEWCO SHARES

SECTION 6

6.13 FEES AND INTERESTS OF INITIAL SHAREHOLDER

Mr Andrew Murray, Company Secretary of ILFML, performed the role of initial shareholder of Newco for the purpose of its incorporation. Mr Murray received no fees for this role.

6.14 FEES AND INTERESTS OF ADVISERS

Other than as described in section 8.4 of this Explanatory Memorandum, no person named in this prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this prospectus has any interest, or has had any interest during the last two years before the date of this prospectus, in the formation or promotion of Newco, or any property acquired or proposed to be acquired by Newco in connection with its formation or promotion or the offer of Newco Shares; or has been paid or agreed to be paid any amount and no value or other benefit has been given or agreed to be given to any such person in connection with the services provided by the person in connection with the formation or promotion of Newco or the offer of Newco Shares.

6.15 CONSENTS TO BE NAMED

The following persons have given and have not, before the date of this Explanatory Memorandum, withdrawn their consent to:

- a) be named in this Explanatory Memorandum in the form and context in which they are named;
- b) the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Explanatory Memorandum (including the prospectus in this section 6); and
- c) the inclusion of other statements in this Explanatory Memorandum (including the prospectus in this section 6) which are based on or referable to other statements made by those persons in the form and context in which they are included:

Role	Consenting party	Reports or statements
Financial adviser	Macquarie Capital (Australia) Limited	—
Independent Expert	Deloitte Corporate Finance Pty Limited	Independent Expert Report set out in Annexure A
IOM	IOM	IOM Information
Legal adviser and tax adviser	Allens	Australian Taxation Report set out in Annexure B
Registry	Link Market Services Limited	—

Each of the above persons:

- a) has not authorised or caused the issue of this Explanatory Memorandum (including the prospectus in this section 6), and makes no representation or warranty, express or implied as to the fairness, accuracy or completeness of the information contained in this Explanatory Memorandum (including the prospectus in this section 6);
- b) does not make, or purport to make, any statement in this Explanatory Memorandum (including in the prospectus in this section 6) other than those statements referred to above and as consented to by that person; and
- c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Explanatory Memorandum (including the prospectus in this section 6) or any omissions from this Explanatory Memorandum (including the prospectus in this section 6), other than the reference to its name in the form and context in which it is named and a statement or report included in this Explanatory Memorandum with its consent (as specified in the table above).

6.16 NEWCO DIRECTORS' CONSENT TO LODGEMENT

The issue of this section 6 of the Explanatory Memorandum has been authorised by each director of Newco.

This section 6 is prepared by, or on behalf of, and is issued by Newco as a prospectus. The information in the remainder of the Explanatory Memorandum is to be read together with this section 6 including the important notices and disclaimer on pages 06 to 07.

The information contained in this section 6 may be limited having regard to the matters that IOF Unitholders may reasonably be expected to know and the fact that certain matters may reasonably be expected to be known by IOF Unitholders' professional advisers.

Each Newco Director has given (and not withdrawn) his or her consent to lodgement of this section 6 (as part of the Explanatory Memorandum and as a prospectus) with ASIC.

MEETING AND VOTING INFORMATION



MEETING AND VOTING INFORMATION

SECTION 7

7.1 UNITHOLDER APPROVAL

The constitutions of AJO Fund and PCP Trust (together, the **Trust Deeds**) confer certain broad powers on ILFML to take actions that are required to implement the Proposal. However these powers are only triggered in relation to proposals that have been approved by an ordinary resolution of IOF Unitholders. As a result, the Meeting has been convened to seek the approval to implement the Proposal.

More specifically, clause 19 of the Trust Deeds provide that ILFML:

- a) has power to do all things which it considers necessary, desirable or reasonably incidental to effect a 'proposal';
- b) is irrevocably appointed as the agent and attorney of each unitholder to execute all documents and do all things which it reasonably considers are necessary or desirable to be executed or done on behalf of the unitholder to give effect to a 'proposal', including applying for securities in the name of the unitholder, executing transfers of units held by the unitholder, and accepting transfers of securities for the unitholder; and
- c) may undertake the actions in paragraph (b) without needing further authority or approval from the unitholders.

A 'proposal' is defined in the Trust Deeds as a proposal approved by an ordinary resolution of IOF Unitholders (except to the extent that the Corporations Act requires the proposal to be approved by special resolution). The Corporations Act does not prescribe that a special resolution is required in respect of any of the transactions and steps required to implement the Proposal.

Under the proposed 50% IOM Acquisition, IOMH will sell 50% of IOM. As ILFML is a subsidiary of IOM, and ILFML is the responsible entity of IOF, the relevant entities are related parties under the Corporations Act. No related party transaction approval is being sought as the Independent Directors formed the view that the proposed 50% IOM Acquisition is on arm's length terms and have obtained an Independent Expert's Report which concludes that the 50% IOM Acquisition is on arm's length terms.

7.2 RESOLUTION

The Resolution seeks the approval of IOF Unitholders to the Proposal for the purpose of empowering ILFML, in accordance with the Trust Deeds, to take the actions that are required for implementation of the Proposal, and for all other relevant purposes.

The proposed form of Resolution, as set out in the Notice of Meeting and to be passed as an ordinary resolution is:

THAT for all purposes, the Proposal, as described in this Explanatory Memorandum and with such modifications, if any, as are approved at the meeting, be approved and Investa Listed Funds Management Limited (as the responsible entity of the Armstrong Jones Office Fund (ARSN 090 242 229) and the Prime Credit Property Trust (ARSN 089 849 196)) be authorised to do all things which it considers necessary, desirable or reasonably incidental to give effect to the Proposal.

The Resolution is an ordinary resolution and will be passed if more than 50% of the total number of votes cast on the Resolution (by IOF Unitholders entitled to vote) are cast in favour of the Resolution.

7.3 VOTING EXCLUSIONS AND RESTRICTIONS

In accordance with section 253E of the Corporations Act, the responsible entity of a registered scheme (ILFML) and its associates are not entitled to vote their interest in the Resolution if they have an interest in the Resolution other than as member of IOF.

IWFML is an associate of ILFML and, together with its related bodies corporate, currently holds (in its capacity as the responsible entity of the ICPF Fund) approximately 8.94% of the Existing Securities. The interests of IWFML and its related bodies corporate are not able to be voted for or against the Resolution at the Meeting.

ADDITIONAL INFORMATION



ADDITIONAL INFORMATION

SECTION 8

8.1 INTRODUCTION

This section sets out additional information relating to the Proposal, including the interests of directors of ILFML, material agreements that will be entered into to implement the Proposal and other material information.

8.2 Interests of ILFML directors

a) Interests in Existing Securities

The following table lists the Existing Securities held directly, indirectly or beneficially by or on behalf of each director of ILFML as at the date of this Explanatory Memorandum:

Director	% of Existing Securities held	Number of Existing Securities held
Richard Longes (Chairman and Independent Non-Executive Director)	0.0024%	15,000
Geoffrey Kleemann (Independent Non-Executive Director)	0.0024%	15,000
John Fast (Independent Non-Executive Director)	0.0024%	15,000
Robert (Bob) Seidler (Independent Non-Executive Director)	0.0018%	11,579

b) Directors do not have any interest in agreements relating to the Proposal

- None of the directors of ILFML has an interest in any agreement entered into which is conditional on, or related to, the Proposal, the Resolution or any other matters or arrangements contemplated by the Proposal in this Explanatory Memorandum.
- There is no arrangement or agreement between a director of ILFML and another person in connection with or conditional on the implementation of the Proposal.
- No payment or other benefit is proposed to be made or given in connection with or conditional on the Proposal to any directors or proposed director of ILFML in connection with the Proposal.
- No director of ILFML has received or become entitled to receive any benefit by reason of a contract made by ILFML, or a related entity of ILFML, with a director, or with a firm of which a director of ILFML is a member, or with an entity in which a director has a substantial interest, other than remuneration in their capacity as a director of ILFML.

c) Remuneration of directors generally

The table below lists the total annual remuneration (including committee fees) for each of the current directors of ILFML.

Director	Non-Executive Director Fee	Chairman fee
Richard Longes (Chairman and Independent Non-Executive Director)	\$150,000	\$50,000
Geoffrey Kleemann (Independent Non-Executive Director)	\$150,000	
John Fast (Independent Non-Executive Director)	\$150,000	
Robert (Bob) Seidler (Independent Non-Executive Director)	\$150,000	

8.3 SUMMARY OF MATERIAL CONTRACTS

Annexure D of this Explanatory Memorandum sets out a summary of the material contracts for the Proposal: the Share Purchase Agreement, Joint Venture Agreement, Stapling Deed and Management Deed.

8.4 COSTS ASSOCIATED WITH THE PROPOSAL

ILFML anticipates transaction costs incurred as a result of implementation of the Proposal being up to \$3.2 million. Transaction costs include unitholder engagement costs and printing and mailing costs estimated at an amount of \$0.5 million, and advisory costs and Independent Expert costs estimated at \$2.7 million. Fees to advisers and the Independent Expert as a result of implementation of the Proposal are expected to comprise:

- \$1.5 million payable to Macquarie Capital (Australia) Limited as financial adviser;
- \$0.9 million payable to Allens as legal and tax adviser;
- \$0.1 million representing other advisory costs in relation to the Proposal; and
- \$0.2 million payable to Deloitte for its role as Independent Expert, as disclosed in the Independent Expert's Report.

ADDITIONAL INFORMATION

SECTION 8

8.5 IOF UNITHOLDERS PARTICIPATING IN THE PROPOSAL

- a) For the purpose of identifying the IOF Unitholders entitled to participate in the Proposal, if the Proposal is approved at the Meeting, and all other conditions are satisfied, dealings in Existing Securities will only be recognised if:
 - i) for dealings effected using CHESS (the computer system used by the ASX to effect the settlement of the purchase or sale of financial products), the transferee is registered in IOF's register of members as the holder of the relevant Existing Security on or before the Transaction Record Date; and
 - ii) for other types of dealings, dealings in respect of which registrable transmission applications or transfers in registrable form in respect of those dealings are received at or before the Transaction Record Date.
- b) ILFML (as responsible entity of IOF) will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Existing Securities received after the times stated above.

8.6 FOREIGN HOLDERS AND SALE FACILITY

- a) Implementation of the Proposal will result in existing IOF Unitholders being entitled to be issued with Newco Shares that will become part of New Stapled Securities. Having regard to the small number of IOF Unitholders with registered addresses outside Australia as at 18 April 2017 and the small number and value of the Existing Securities that they held, no action has been taken to register or qualify the Newco Shares or otherwise to permit an offer of Newco Shares, that will become part of a New Stapled Security if the Proposal is approved and becomes effective, in any jurisdiction other than Australia.
As at 18 April 2017:
 - i) there were 155 Securityholders with registered addresses outside of Australia (Foreign Holders) who held in aggregate 740,065 Existing Stapled Securities or approximately 0.12% of the total number of Existing Stapled Securities on issue;
 - ii) there was one Securityholder with a registered address in each of the following countries: Bahamas, Brunei, Ecuador, France, Sweden and Vietnam who held in aggregate 88,764 Existing Securities (or approximately 0.015% of all Existing Securities) on issue;
 - iii) there were either two or three Securityholders with registered addresses in UAE, Canada, Switzerland, Germany, Hong Kong, Ireland, Japan, Malaysia, Papua New Guinea, Singapore and Thailand who held in aggregate 132,615 Existing Securities (or approximately 0.022% of all Existing Securities) on issue; and
 - iv) there were more than three Securityholders with registered addresses in USA (12 holders), UK (27 holders) and New Zealand (83 holders) who held in aggregate 518,686 Existing Stapled Securities (or approximately 0.085% of all Existing Securities) on issue.
- b) The manner in which Foreign Holders will participate in the Proposal, if approved, will be by participating in the Sale Facility. ILFML will act as those Foreign Holders' agent to receive any notice given by the Sale Agent or Sale Nominee (as applicable). Copies of any documents ILFML receives from the Sale Nominee or Sale Agent (as applicable) as agent for Foreign Holders will be made available on the website at <https://www.investa.com.au/funds/iof/asx-media>.

8.7 SALE FACILITY

- a) Under the terms of the Sale Facility it is proposed that the Sale Agent would appoint a Sale Nominee to hold the legal title to each AJO Unit and PCP Unit that forms part of an Existing Security held by a Foreign Holder as at the Transaction Record Date. The legal title to those Existing Securities will be transferred to the Sale Nominee by ILFML, acting as agent and attorney for the Foreign Holders.
- b) ILFML will apply the proceeds of the Capital Distribution to which the Foreign Holders are entitled to fund the subscription price for Newco Shares, which will be issued to the Sale Nominee (and stapled to the Existing Securities legally held by the Sale Nominee).
- c) The Sale Agent will sell, in the ordinary course of trading on the ASX, all New Stapled Securities that are issued and transferred to the Sale Nominee in the manner described above at such price or prices, and on such other terms, as the Sale Agent determines in good faith (and at the Foreign Holder's risk), as soon as reasonably practicable. The proceeds of the sale of the New Stapled Securities (less any fees payable under the Sale Facility and any withholding or other taxes (if any)) will be remitted to Foreign Holders in such proportions as the number of Existing Securities held by a Foreign Holder at the Transaction Record Date bore to the total number of Existing Securities held by all Foreign Holders at that date.
- d) Foreign Holders will be deemed to have elected to participate in the Sale Facility if either they have not changed their registered address by the Transaction Record Date to an address in Australia or they have not ceased to be the registered holder of Existing Securities.

ADDITIONAL INFORMATION

SECTION 8

8.8 REGULATORY CONSENTS

a) ASIC relief

ILFML has applied for the following relief from the operation of various provisions of the Corporations Act and ASIC has granted the following relief:

- i) **(Section 711(6) and 723(1) – prospectus content)** modifications to allow this Explanatory Memorandum (being a prospectus) not to include an expiry date or an application form.
- ii) **(Division 2 of Part 7.7 – Financial Services Guide)** exemption from the requirement to provide a Financial Services Guide in respect of any general advice provided by ILFML in this Explanatory Memorandum.
- iii) **(Section 734 – advertising and publicity)** modifications to permit Newco and ILFML to issue publications concerning the Proposal without those promotional materials referring to the application forms or the availability of a disclosure document.

ASIC has not yet finalised its review of the following further relief that has been requested by ILFML:

- iv) **(Standard ongoing relief – stapling relief)** approval for the revocation and replacement of the existing stapling relief instruments which will require consequential amendments to reflect structural changes to the IOF group as a result of the implementation of the Proposal.
- v) **(Section 601FC(1)(d) – Sale Facility – relief for ILFML)** relief to permit ILFML's differential treatment of Foreign Holders who are obliged to participate in the Sale Facility.
- vi) **(Sections 601ED, 911A(2) and Divisions 2 to 5A of Part 7.9 of the Corporations Act – Sale Facility – relief for Sale Agent)** relief from obligations to permit the Sale Agent to perform its role in the Sale Facility.

b) ASX waivers and confirmations

Waivers

ASX has not yet finalised its review of the following waivers that have been requested by ILFML:

- i) **(ASX Listing Rule 1.1, condition 8 – spread requirements)** an in-principle waiver that to the extent necessary, Newco is not required to comply with the spread requirements in ASX Listing Rule 1.1 on the condition that this requirement is satisfied jointly by Newco, AJO and PCP (after implementation of the Proposal).
- ii) **(ASX Listing Rule 1.1, condition 9 – asset test or profit test)** an in-principle waiver that to the extent necessary, Newco is not required to comply with ASX Listing Rule 1.2 (profit test) and ASX Listing Rule 1.3 (asset test) on the condition that this requirement is satisfied jointly by Newco, AJO and PCP (after implementation of the Proposal).
- iii) **(ASX Listing Rule 2.1, condition 2 – issue price)** an in-principle waiver to permit to the extent necessary, the issue price of shares in Newco to be less than 20 cents in cash on the condition that this requirement is satisfied jointly by Newco, AJO and PCP (after implementation of the Proposal).
- iv) **(ASX Listing Rule 8.10 – register a transfer)** an in-principle waiver that to the extent necessary, Newco, AJO and PCP (after implementation of the Proposal) be allowed to refuse to register a transfer of a unit or share if it is not accompanied by a transfer of the other stapled units or shares.
- v) **(ASX Listing Rule 10.1 – substantial asset to a related party)** an in-principle waiver to allow the transfer of substantial assets and other relevant dealings between Newco, AJO and PCP (after implementation of the Proposal) and their wholly owned subsidiaries without approval from each of them, on the basis that once the Proposal is implemented, the economic interests of the New Stapled Securityholders will not be affected by any transactions between the entities within IOF.
- vi) **(ASX Listing Rule 10.11 – issuance to a related party)** an in-principle waiver from ASX Listing Rule 10.11 to enable the ILFML directors to participate in the Proposal in their capacity as existing IOF Unitholders without Unitholder approval.

Confirmations

ILFML has applied for the following confirmations and ASX has provided those confirmations:

- vii) **(Proposed timetable)** confirmation that the proposed timetable as set out in this Explanatory Memorandum is acceptable to ASX.
- viii) **(ASX Listing Rule 15.1.3 – no objection to Notice of Meeting)** confirmation that the ASX does not object to the draft Notice of Meeting or Explanatory Memorandum.

ADDITIONAL INFORMATION

SECTION 8

ILFML has applied for the following confirmations and ASX is considering those requests:

- ix) **(ASX Listing Rule 1.1, condition 1)** an in-principle confirmation that the structure and operations of Newco (the shares of which will be stapled to AJO and PCP) are appropriate for a listed entity for the purposes of ASX Listing Rule 1.1.
- x) **(Appendix 1A/ ASX Information Form and Checklist)** confirmation that the documentation and background checks in relation to the proposed directors of Newco is not required to be provided on the basis that the proposed directors are the current directors of ILFML.
- xi) **(ASX Listing Rule 1.1, condition 9 and Listing Rule 1.3.5 – requirement to provide pro forma statement of financial position)** on the condition that the waiver from ASX Listing Rule Listing Rule 1.1 condition 9 is granted, a confirmation that Newco is not required to provide the ASX with accounts for the last three full financial years.
- xii) **(ASX Listing Rule 2.1, condition 1 – terms of new stapled securities)** an in-principle confirmation that the terms of the New Stapled Securities (after implementation of the Proposal) comply with Chapter 6 of the ASX Listing Rules.
- xiii) **(ASX Listing Rule 3.1 – disclosure by the stapled group)** an in-principle confirmation that disclosure by one of Newco, AJO and PCP (after implementation of the Proposal) satisfies the requirements of the ASX Listing Rule 3.1.
- xiv) **(ASX Listing Rule 6.1 – terms of new stapled security appropriate and equitable)** an in-principle confirmation that the terms applying to the New Stapled Securities (after implementation of the Proposal) are appropriate and equitable for the purposes of Listing Rule 6.1.
- xv) **(ASX Guidance Note 2, paragraph 11)** confirmation that the ASX is satisfied that the stapling provisions in the constitution of Newco (after implementation of the Proposal) are satisfactory to the ASX.
- xvi) **(ASX Listing rule 19.12 – confirmation that the shares in Newco are ‘equity securities’)** confirmation that the shares in Newco constitute ‘equity securities’ for the purpose of the definition set out in ASX Listing Rule 19.12.

8.9 SUPPLEMENTARY INFORMATION

The terms of the Proposal may change from time to time. If ILFML becomes aware of any significant change to the Proposal, any significant new circumstance affecting the Proposal, a material statement in this Explanatory Memorandum that is false or misleading, or a material omission from this Explanatory Memorandum, between the date of issue of this Explanatory Memorandum and the date of implementation of the Proposal (if approved at the Meeting), ILFML will notify IOF Unitholders in such a way as it determines is appropriate, which may include (but is not limited to) publishing information on IOF’s website at www.investa.com.au/iof, an announcement on the ASX, an announcement at the Meeting, or the issue of a supplementary Explanatory Memorandum.

8.10 CONTINUOUS DISCLOSURE STATEMENT

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 ASX Listing Rules. These obligations require IOF to notify the ASX of information about specified matters and events as they arise for the purpose of the 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 Existing Security (and in the future if the Proposal is approved, New Stapled Securities), IOF must (subject to limited exceptions) immediately tell the ASX that information. Publicly disclosed information about all ASX-listed entities, including IOF, is available on the ASX website at www.asx.com.au.

8.11 DIRECTORS’ STATEMENTS

The issue of this Explanatory Memorandum has been authorised by the ILFML directors. The ILFML directors have given (and not withdrawn) their consent to lodgement of this Explanatory Memorandum with ASIC and the ASX.

The issue of section 6 of the Explanatory Memorandum has been authorised by the Newco directors. The Newco directors have given (and not withdrawn) their consent to lodgement of section 6 Explanatory Memorandum with ASIC and the ASX.

8.12 NO OTHER INFORMATION

Other than as contained in this Explanatory Memorandum, there is no information within the knowledge of any director of ILFML material to the making of a decision in relation to the Resolution to be voted on by IOF Unitholders, and that has not previously been disclosed to IOF Unitholders.

GLOSSARY



GLOSSARY

SECTION 9

2011 Transaction	The acquisition by Investa Property Group (then controlled by Morgan Stanley) of the management rights to IOF from ING Real Estate Investment Management in March 2011
2016 Transaction	The acquisition by Investa Property Group, comprising ICPF Fund and ICPF, of the Management Platform from Morgan Stanley in March 2016
50% IOM Acquisition	The acquisition of 50% of the Management Platform by Newco Acquirer via the purchase of 50% of the issued capital in IOM
AAS	Australian Accounting Standards
AFFO	PCA Adjusted Funds From Operations (AFFO) is defined by adjusting PCA FFO for other non-cash and other items which have not been adjusted in determining PCA FFO such as maintenance capex, incentives given for the accounting period and other one-off items
AJO Fund	Armstrong Jones Office Fund (ARSN 090 242 229)
AJO Unit	A unit in AJO
A-REIT	Australian real estate investment trust(s)
ASX	Australian Securities Exchange
Australian Taxation Report	The report prepared by Allens attached at Annexure B of this Explanatory Memorandum
Business Day	A day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Sydney, New South Wales
CAGR	Compound annual growth rate
Capital Distribution	The pro rata distribution of capital of \$0.0815 per Existing Security to be made by ILFML to IOF Unitholders out of the assets of one or both of the managed investment schemes that form IOF (AJO Fund and PCP Trust) as part of implementation of the Proposal. The proceeds of the Capital Distribution will be held by ILFML as agent for each security holder and will be used to fund the subscription for Newco Shares
CBD	Central business district
Certificate of Valuation	The Certificate of Valuation delivered by IOMH to IOF on 12 August 2016, confirming that the gross asset value of IOF's commercial office assets was greater than \$3.5 billion
Completion Date	The proposed date of completion of the 50% IOM Acquisition which is currently expected to be on or around 1 July 2017
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
Corporations Act	<i>Corporations Act 2001</i> (Cth)
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
Entity	Includes a natural person, a body corporate, a partnership, a trustee and the trustee of a trust
Existing IOF Entities	AJO Fund and PCP Trust
Existing Securities	The existing stapled securities in IOF, being an AJO Unit stapled to a PCP Unit and traded under the ASX ticker IOF
FFO or Funds from Operations	IOF determines FFO in accordance with the PCA definition of FFO. FFO comprises net profit/loss after tax attributable to stapled securityholders calculated in accordance with AAS and adjusted for: property revaluations, 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 and deferred tax expense/benefit
Financial Forecasts	The forecasts contained in the forecast income statement, distributions and balance sheet (including any pro forma financials) contained in sections 4 and 6.9 of this Explanatory Memorandum
Foreign Holders	IOF Unitholders that have a registered address outside Australia
FUM	Funds under management
FY	Financial year ending 30 June
GAV	Gross Asset Value

Gearing	Means look-through gearing being total look-through debt divided by total look-through tangible assets. Total look-through debt is based on the Australian dollar exposure of the US Private Placements after applying cross currency hedging arrangements. Total look-through tangible assets comprise total tangible assets adjusted for fair value of foreign currency derivative assets. 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
ICPF	ICPF Holdings Limited ACN 610 989 805
ICPF Fund	Investa Commercial Property Fund ARSN 103 041 505
ILFML	Investa Listed Funds Management Limited ACN 149 175 655
Independent Directors	Directors of ILFML, being external directors within the meaning of section 601JA(2) of the Corporations Act, which are all of the directors listed in section 8.2(a)
Independent Expert	Deloitte Corporate Finance Pty Limited
Independent Expert's Report/IER	The report prepared by the Independent Expert which is attached as Annexure A of this Explanatory Memorandum
ING	ING Real Estate Investment Management
IOF	Investa Office Fund, the stapled group comprising AJO and PCP and, post implementation of the Proposal, Newco
IOF Unitholder	The holder of an Existing Security. References to IOF Unitholder post implementation of the Proposal should be taken to have the same meaning as New Stapled Securityholder
IOF Unitholder Information Line	+61 1300 851 394, available between 8:30am and 5:30pm Monday to Friday (Sydney time)
IOM	Investa Office Management Pty Limited ACN 161 354 016
IOMH	Investa Office Management Holdings Pty Limited ACN 126 219 903
IOM Information	The information provided by IOM for inclusion in this Explanatory Memorandum and for which IOM is responsible, being section 3 of the Explanatory Memorandum and any references to the information in the above in the form and context in which they are included in the Explanatory Memorandum
IWFML	Investa Wholesale Funds Management Limited ACN 149 681 390
Joint Venture Agreement	The Joint Venture Agreement in relation to the Management Platform, to be entered into between IOMH, Newco Acquirer and IOM on completion of the 50% IOM Acquisition
KPI	Key performance indicator
Management Platform	See 'IOM'
Meeting	The meeting of IOF Unitholders convened by the Notice of Meeting to be held at 10:00am (Sydney time) on 31 May 2017 at Times on the Park Room, Sheraton on the Park, 161 Elizabeth Street, Sydney NSW 2000
Morgan Stanley	Morgan Stanley Real Estate Investing
NAV	Net asset value
Newco	IOF Limited ACN 618 652 770
Newco Acquirer	IOF Holdings Pty Limited ACN 618 708 615
Newco Share	An ordinary share in Newco
New Stapled Security	The security formed by the stapling of a AJO Unit, PCP Unit and Newco Share
New Stapled Securityholder	The holder of a New Stapled Security
Notice of Meeting	The notice of meeting issued by ILFML dated 8 May 2017 and included in this Explanatory Memorandum
NTA	Net tangible assets
PCA	Property Council of Australia
PCP Trust	Prime Credit Property Trust (ARSN 089 849 196)

GLOSSARY

SECTION 9

PCP Unit	A unit in PCP
Post Proposal IOF Group	The IOF group following implementation of the Proposal, comprising IOF, Newco and each of their Controlled Entities, including Newco Acquirer and including Newco Acquirer's 50% interest in IOM (and, indirectly, its Subsidiaries, including ILFML and IWFML)
Prime Grade	Means Premium Grade or A-Grade assets per the PCA's ' <i>A Guide to Office Building Quality</i> '
Private Mandates	IOM's private asset management mandates
Pro Forma Consolidated FFO	The Pro Forma Consolidated FFO for the Post Proposal IOF Group for the year ending 30 June 2017, as set out and described in section 4.3 of this Explanatory Memorandum
Pro Forma Consolidated Statement of Financial Position	The Pro Forma Consolidated Statement of Financial Position as at 31 December 2016 of the Post Proposal IOF Group, as set out and described in section 4.2 of this Explanatory Memorandum
Pro Forma Financial Information	The Pro Forma Consolidated Statement of Financial Position and the Pro Forma Consolidated FFO
Proposal	Means the proposal as described in this Explanatory Memorandum comprising the 50% IOM Acquisition and related restructure involving the issue and Stapling of Newco Shares, and implemented in accordance with the transaction documents (see Annexure D of this Explanatory Memorandum)
Proxy Form	The proxy form attached to this Explanatory Memorandum at Attachment 1
Purchase Price	The purchase price to be paid in respect of the 50% IOM Acquisition, being \$45 million, adjusted for working capital and other agreed reimbursement adjustments by way of a customary working capital adjustment using completion accounts
RE	Responsible entity
REO	The real estate operations division of IOM's property management function
RES	The real estate services division of IOM's property management function
Resolution	The resolution to be put and voted on at the Meeting to approve the Proposal
Sale Agent	The sale agent appointed by ILFML to conduct the Sale Facility
Sale Facility	The facility established for the sale of New Stapled Securities on behalf of Foreign Holders as described in section 8.6
Sale Nominee	The entity appointed by the Sale Agent to hold the legal title to securities that are the subject of the Sale Facility
Share Purchase Agreement	The Share Purchase Agreement dated 5 May 2017 between IOMH and Newco Acquirer in respect of 50% of the shares in IOM
SRI	Sustainable Responsible Investment
Stapled Entity	Each of AJO, PCP and Newco following implementation of the Proposal
Stapling	The process that results in AJO Units, PCP Units and Newco Shares being and remaining Stapled to each other
Stapling Deed	The deed governing the relationship between the Stapled Entities, between Newco and ILFML in its capacity as responsible entity of AJO and PCP
Subsidiary	Has the meaning given in the Corporations Act, but so that: <ul style="list-style-type: none"> – a trust may be a Subsidiary, for the purpose of which a unit or other beneficial interest in the trust will be regarded as a share (ignoring the operation of section 48(2) of the Corporations Act); and – an Entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a body corporate
Transaction Record Date	Has the meaning given in the key dates section on page 03
Voting Record Date	Has the meaning given in the key dates section on page 03
WALE	Weighted average lease expiry

PROXY FORM



66 ST GEORGES TERRACE



PROXY FORM

ATTACHMENT 1



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: +61 1300 851 394



X99999999999

PROXY FORM

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

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Unitholders' Meeting of the Fund to be held at 10:00am (Sydney time) on Wednesday, 31 May 2017 at Times on the Park Room, Sheraton on the Park, 161 Elizabeth Street, Sydney NSW 2000 (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Fund if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

For Against Abstain*

- 1 "THAT for all purposes, the Proposal, as described in this Explanatory Memorandum and with such modifications, if any, as are approved at the meeting, be approved and Investa Listed Funds Management Limited (as the responsible entity of the Armstrong Jones Office Fund (ARSN 090 242 229) and the Prime Credit Property Trust (ARSN 089 849 196)) be authorised to do all things which it considers necessary, desirable or reasonably incidental to give effect to the Proposal."

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF 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. Where the holding is in more than one name, 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 company's constitution and the Corporations Act 2001 (Cth).

IOF PRX1701A

HOW TO COMPLETE THIS UNITHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Fund's unit register. If this information is incorrect, please make the correction on the form. 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 a unitholder of the Fund.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your units will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of units you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Fund's unit registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- 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
- 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 unitholder 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 Fund's unit registry or online at www.linkmarketservices.com.au.

LODGE 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 Monday, 29 May 2017**, 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

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.

QR Code



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



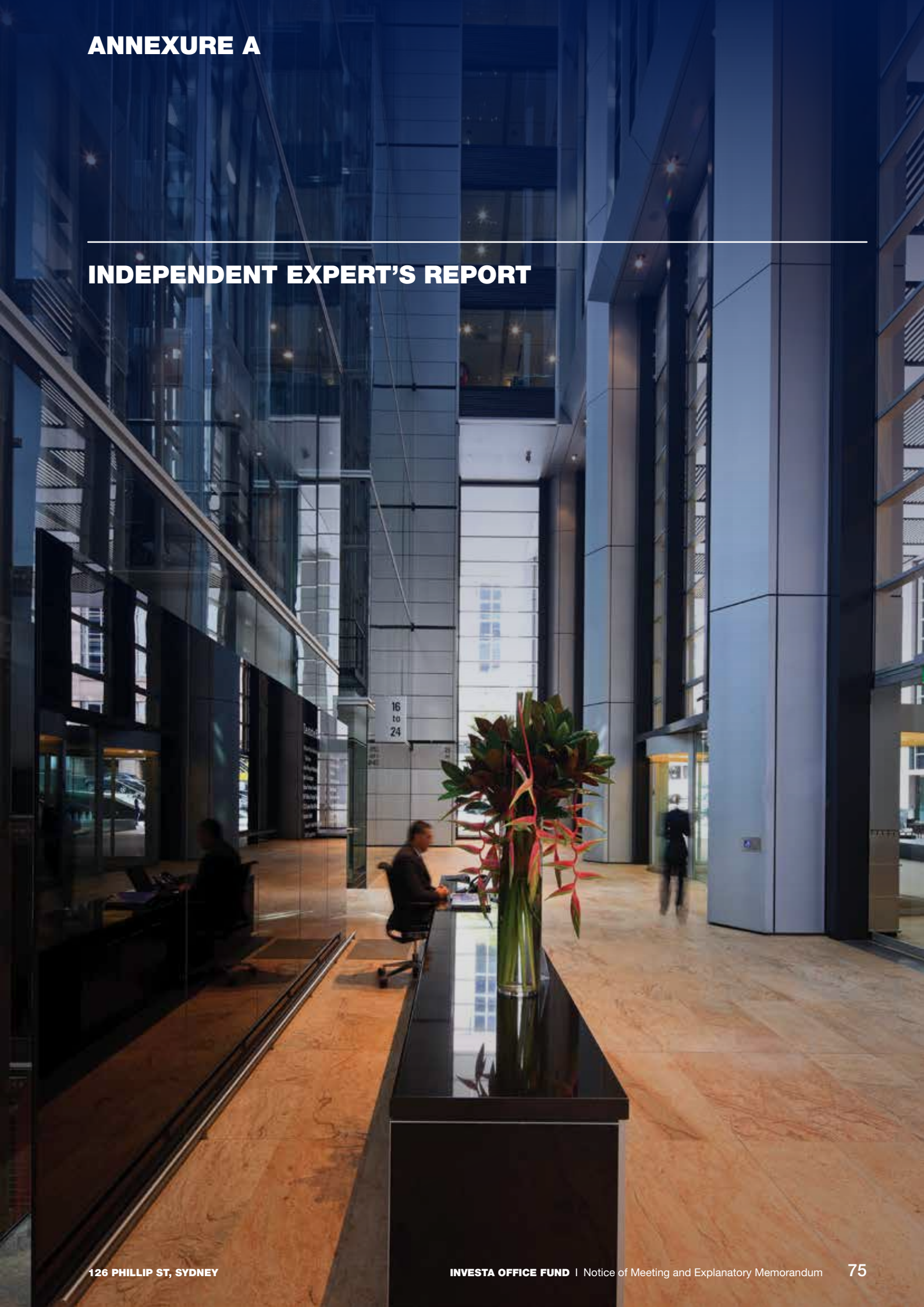
BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE UNITHOLDERS' MEETING OF THE FUND, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

INDEPENDENT EXPERT'S REPORT





Investa Office Fund

Independent expert's report and Financial Services Guide

5 May 2017

Deloitte.

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately \$180,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposed acquisition of 50% of Investa Office Management by Investa Listed Funds Management Limited in its capacity as responsible entity of Investa Office Fund.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Services
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

5 May 2017

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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Member of Deloitte Touche Tohmatsu Limited



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The Independent Directors
Investa Listed Funds Management Limited
in its capacity as responsible entity for the Investa Office Fund, comprising
The Prime Credit Property Trust and The Armstrong Jones Office Fund
Level 6, 126 Phillip Street
Sydney NSW 2000

5 May 2017

Dear Directors

Re: Independent expert's report and Financial Services Guide

1 Introduction and background

On 3 April 2017, the Independent Directors of Investa Listed Funds Management Limited (ILFML), as responsible entity (RE) of Investa Office Fund (IOF or the Fund), announced they were in the process of negotiating with ICPF Holdings Limited terms for the acquisition of 50% of Investa Office Management Pty Limited (IOM or the Platform) (the Platform JV Proposal)

Under the terms of the Platform JV Proposal, IOF Limited, a public company that is to be stapled to IOF will (via a newly formed subsidiary, IOF Holdings Pty Limited) acquire a 50% equity interest in IOM (the Interest) from Investa Office Management Holdings Pty Limited (Investa Office Management Holdings), a wholly owned indirect subsidiary of ICPF Holdings Limited. The purchase price will be \$45 million cash (the Purchase Price), plus an adjustment at the time of transaction completion to recognise a 50% share of the working capital being acquired and other agreed reimbursement adjustments (the Purchase Consideration). As part of the Platform JV Proposal, IOF Holdings Pty Limited and Investa Office Management Holdings will also enter into a joint venture agreement in relation to the Platform.

Whilst an independent expert's report is not required to meet any statutory obligations, the directors of ILFML as RE for IOF, have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) assist by providing an opinion as to whether the Platform JV Proposal is fair and reasonable to unitholders that are not associated with IOM, and on arm's length terms. This report is to accompany the Notice of Meeting and Explanatory Memorandum to unitholders.

We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.



2 Terms of Platform JV Proposal

2.1 Overview

In March 2011, ING Real Estate Investment Management transferred the management of IOF to Investa Property Group (Investa), and a memorandum of understanding (MOU) was entered into between the then responsible entity of IOF and Investa, which contemplated the granting to IOF of a call option over 50% of the IOM platform. Under the terms of the MOU, the call option could be exercised within 12 months of the date on which IOF's Australian assets are valued at \$3.5 billion (at the time the value of IOF's Australian assets totalled \$1.6 billion). In December 2012, an implementation deed formalising the MOU was entered into.

In February 2015, Morgan Stanley Real Estate Investing (Morgan Stanley) issued a press release advising that it had begun a formal process concerning its holding in Investa, including Investa Office Management Holdings and its 8.94% equity interest in IOF. As a consequence of this process, in March 2016, Morgan Stanley entered into an agreement to sell Investa Office Management Holdings to a wholly owned subsidiary of ICPF Holdings Limited for \$90 million, subject to working capital adjustments as at completion. At the time, IOF's total assets were valued at \$3.5 billion.

In August 2016, IOF announced that a certificate of valuation indicated the gross asset value of the Australian commercial office assets of IOF was in excess of \$3.5 billion. Consistent with the terms of the implementation deed, the certificate of valuation stated the following:

- the price at which Investa Office Management Holdings would be willing to sell 50% of the Platform to IOF, being \$45 million plus agreed working capital and other agreed reimbursement adjustments
- if completion of the sale takes place after 28 February 2017 and before the end of the expiry period, the price is the higher of:
 - \$45 million plus agreed working capital and other agreed reimbursement adjustments
 - the fair market price as at the expected completion date of the sale as determined by an independent expert.

On 13 December 2016, ILFML, as responsible entity of IOF, announced that it had negotiated with Investa Office Management Holdings to extend the timeline to which the fixed acquisition price applied to 31 May 2017.

In April 2017, ILFML as RE of IOF, executed a term sheet with Investa Office Management Holdings which stipulated terms under which Investa Office Management Holdings would sell 50% of IOM to IOF Limited. Key terms of the agreement include the following:

- the Purchase Price of \$45 million, payable in cash
- adjustments to the Purchase Price (the Purchase Price Adjustments):
 - in recognition of any fees receivable by IOM resulting from the sale of the property at 20 Bridge Street, Sydney
 - for 50% of the working capital position¹ as at completion of the Platform JV Proposal, estimated to be \$0.5 million (subject to customary working capital adjustments on completion)
- Investa Office Management Holdings and IOF Holdings Pty Limited will be involved in a joint venture structure with each party owning 50% of the share capital of IOM.

The Purchase Price was premised on the Platform JV Proposal completing before 31 May 2017, however Investa Office Management Holdings has now entered into a share sale agreement under which completion is expected to occur in June 2017, subject to the satisfaction of all conditions precedent, including the approval of IOF unitholders. Should this not occur, IOF has until 11 August 2017 to determine to notify Investa Office Management Holdings that it is willing to purchase the 50% stake in IOM, based on the higher of \$45 million and an independent valuation.

The Platform JV Proposal will be financed wholly by using existing debt facilities of IOF.

¹ Comprises cash, receivables, payables, accruals, and provisions for employee entitlements.



2.1.1 Key occurrences for the Platform

The following table illustrates key occurrences in relation to IOF and its management platform, subsequent to IOF entering into the MOU in 2011 which references an option over 50% of the Platform.

Table 1: Key occurrences for IOF and the Platform

Date	Occurrence
February 2015	ILFML held discussions with Morgan Stanley in relation to the acquisition of the Platform as part of a broader transaction Morgan Stanley was seeking to undertake in connection with its investment in Investa Property Group. Those discussions were inconclusive.
November 2015	IOF disclosed to the market that property valuations as at 30 November 2015 indicated the value of its Australian assets to be \$3.495 billion.
December 2015	IOF announced that it had entered into a process agreement with Dexu Property Group (Dexu) in which Dexu would acquire 100% of the units in IOF, however the proposed transaction with Dexu did not proceed due to it not obtaining IOF unitholder approval at the meeting of IOF unitholders in April 2016.
March 2016	Morgan Stanley entered into a binding agreement to sell Investa Office Management Holdings to ICPF Holdings Limited for \$90 million.
April 2016	Cromwell Property Group announced that it acquired a relevant interest in 9.83% of the units of IOF.
August 2016	Certificate of valuation provided by IOM to IOF as the gross asset value of the Australian commercial office assets of IOF was more than \$3.5 billion.
November 2016	IOF announced that ICPF acquired an 8.94% interest in IOF from Morgan Stanley. Further, IOF noted in its announcement that ILFML, as RE of IOF, and ICPF Holdings Limited were progressing discussions in relation to terms upon which there might be an acquisition of a 50% interest in IOM.
November 2016	IOF received a highly conditional, non-binding and indicative letter from Cromwell Property Group referring to the conditional possibility of an arrangement to acquire 100% of the capital in IOF for \$4.45 per security.
December 2016	IOF announced that it had negotiated with Investa Office Management Holdings to extend the timeline for the agreed acquisition price of \$45 million plus agreed working capital and reimbursement adjustments in relation to the call option to purchase IOM from the original date of 28 February 2017 to 31 May 2017. The announcement also stated that any decision on the acquisition of IOM would be taken as part of an operational and governance review of how IOF works with the Platform.
April 2017	IOF announced that it had received a revised unsolicited, indicative, non-binding proposal from Cromwell Property Group to acquire all of the outstanding units in IOF by way of a trust scheme for 100% cash consideration. The announcement also stated that the independent directors of IOF had not formed a view on the merits of the proposal. Subsequently, ILFML granted Cromwell access to due diligence in relation to IOF.
April 2017	IOF announced that it had completed its operational and governance review and as a result has decided to pursue negotiations with ICPF Holdings Limited for the acquisition of 50% of IOM.

Source: IOM Management, Deloitte Corporate Finance analysis

2.2 Manner in which transaction will be effected

Should the Platform JV Proposal proceed, it is anticipated that IOF Limited which will be stapled to IOF. IOF Limited will in turn own a 100% equity interest in another newly formed holding company (IOF Holdings Pty Limited) which will hold the 50% equity interest in IOM.

The implication of the above are set out in the Explanatory Memorandum and it is our understanding that these are not material in nature.

2.3 Joint venture agreement

Key terms of the joint venture agreement between IOF Holdings Pty Limited and Investa Office Management Holdings include the following:

- all shares in IOM will be of the same class and have equal rights attached
- the IOM Board will consist of two Executive Directors with equal numbers of Non-Executive Directors representing IOF Holdings Pty Limited and Investa Office Management Holdings



- the Chairperson will be appointed by unanimous shareholder approval, however the Chairperson will not have a casting vote at IOM Board meetings. The initial Chairperson of IOM will be Ms Rebecca McGrath, who will serve a three year term
- the responsible entities of each of IOF and ICPF are wholly owned subsidiaries of IOM and each responsible entity board will be solely responsible for the setting of strategy and the interests of their respective funds. IOM will respect governance requirements of each of the boards of the responsible entities. For so long as IOF Limited is stapled to IOF, the shareholders must ensure that the ILFML Board comprises the same individuals as those appointed to the IOF Limited Board by IOF securityholders in a general meeting
- unanimous IOM shareholder approval will be required for matters such as:
 - setting the annual budget and business plan of IOM
 - dividend policy
 - amendments to existing IOF or ICPF fee arrangements
 - entering into related party or unusual transactions
 - new funds or mandates
 - appointment of Chairperson or CEO of IOM
 - changes to share capital, including in relation to a potential sale of IOM
- if IOM shareholders are unable to reach agreement in respect of a matter ordinarily reserved for IOM shareholder approval, the matter will be escalated to the Chairperson of each shareholder for negotiation. Failing resolution by negotiation, the status quo will prevail
- share disposals are only permitted if:
 - the other shareholder agrees in writing
 - the disposing shareholder complies with a pre-emptive rights regime (which includes tag along rights in favour of the other shareholder); or
 - the transfer is to a wholly-owned subsidiary of the disposing shareholder
- where there is a change of control of a shareholder, removal of a responsible entity, winding up of a shareholder, delisting of IOF, or reduction in gross asset value of a shareholder below \$1.5 billion:
 - both shareholders can agree to continue the joint venture
 - both shareholders agree to negotiate in good faith, terms upon which the non-exiting shareholder will purchase the exiting shareholder's shares for a period of three months
 - if parties are unable to agree terms during the three month period, the exiting shareholder grants to the non-exiting shareholder a call option. Key terms of the call option include:
 - the call option is capable of being exercised 20 business days after a buy-out price is agreed or determined
 - unless otherwise agreed, the buy-out price is based on a price arrived at through an independent fair market valuation of the equity in IOM adjusted for working capital and scale down costs. Scale down costs are costs associated with adjusting the scale and resources of IOM to reflect the reduced value of assets under management following the departure of the exiting shareholder
 - if the call option is exercised, the exiting shareholder must arrange for the orderly transfer of its relevant records and data.



3 Evaluation of the Platform JV Proposal

3.1 Basis of evaluation

In undertaking the work associated with our opinion, we have had regard to Australian Securities and Investments Commission (ASIC) Regulatory Guide 76 (RG 76) in relation to related party transactions, ASIC Regulatory Guide 111 (RG 111) in relation to the content of expert's reports and ASIC Regulatory Guide 112 (RG 112) in respect of the independence of experts.

3.2 Approach

According to RG 76, a related party transaction is any transaction through which a public company provides a financial benefit to a related party. As noted in paragraph RG 76.1, related party transactions involve conflicts of interest because related parties are often in a position to influence the decision as to whether the benefit is provided to them, and the terms of its provision.

IOM currently operates as a direct subsidiary of Investa Office Management Holdings and is the parent entity of ILFML. Further, Investa Office Management Holdings is a subsidiary of ICPF Holdings Limited, which is stapled to ICPF. As such, a related party relationship exists between ILFML and ICPF in the context of the Platform JV Proposal.

RG 76 stipulates that shareholders must approve the related party transaction by resolution unless an exception applies. Member approval is generally not required to give a financial benefit on terms that would be reasonable in the circumstances if the entity and the related party were dealing at arm's length, or on terms that are less favourable to the related party than the terms being offered under the proposed transaction (s210 of the Corporations Act 2001 (Cth) (Corporations Act)) (arm's length exception).

For a transaction to be on 'arm's length' terms within the s210(1)(a) exception, its terms must be reasonable 'in the circumstances' if the entities were 'dealing at arm's length'. The 'circumstances' could include, but are not limited to:

- a) whether there are alternative transactions open to the entity that are not with related parties
- b) prevailing economic conditions and their impact on the parties and their relevant industries
- c) any special value to the transaction (e.g. synergies available to the related party, other than those arising because it is a related party, that may not be available to other purchasers).

RG 111 provides guidance in relation to the content of independent expert's reports prepared for a range of transactions. RG 111 notes that a related party transaction is:

- fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the benefit being received. In valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transaction
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

RG 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

In ascertaining whether the Platform JV Proposal is fair we have considered the fair market value of the 50% interest in the Platform relative to the consideration payable by IOF Holdings Pty Limited of \$45 million. Our assessment of whether the Platform JV Proposal is reasonable has had regard to additional factors relevant to IOF unitholders in the context of an acquisition of 50% of IOM. Such factors include potential non-financial benefits, such as the removal of perceived conflicts of interest, as a result of the partial internalisation of IOF's management platform.



4 Profile of IOM

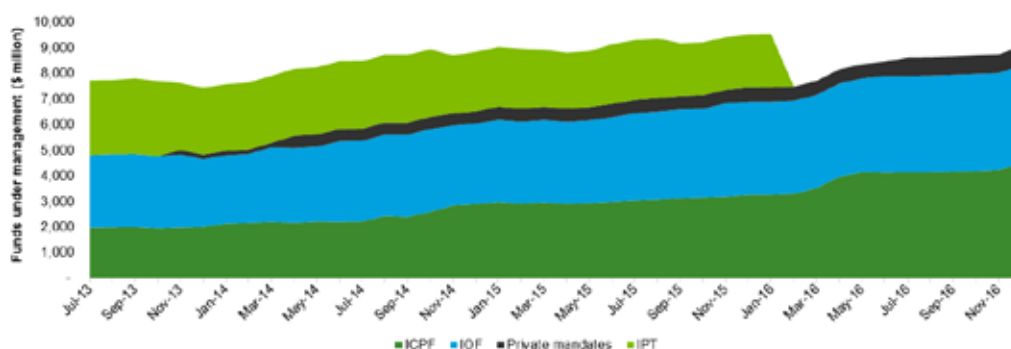
4.1 Background

IOM is a specialist manager of commercial office properties in Australia. IOM's platform offering incorporates funds management, portfolio and asset management, property services, development management, sustainability, capital transactions and research.

As at 31 December 2016, IOM managed more than \$10 billion worth of office properties in Australia for clients which include IOF, ICPF and private mandate clients. The Platform has approximately 200 employees which manage in excess of 1 million square metres of commercial office space in Australia. The Notice of Meeting and Explanatory Memorandum provide further detail in relation to key management team members of IOM and their experience.

As at 31 December 2016, IOM had over \$8.6 billion of funds under management (FUM) across IOF (44%), ICPF (48%) and private mandates (8%)². All of the funds invest in office buildings located across Australia. The graph below illustrates IOM's FUM over the past four years.

Figure 1: Historical FUM balances of IOM



Source: IOM Management, Deloitte Corporate Finance analysis

During FY2016, IOM ceased managing Investa Property Trust (IPT). IOM sold the management rights relating to IPT (IPT Management Rights) to Mirvac following the sale of IPT to China Investment Corporation (CIC).

Excluding the sale of the IPT Management Rights, IOM's FUM has increased over the past four years due to a combination of acquisitions made by each respective fund and upwards revaluations of the underlying properties. There have been limited property disposals over that period, and funds generated from disposals have generally been quickly reinvested in new properties.

Having said that, IOM is substantially dependent on the FUM of ICPF and IOF, which collectively amount to more than 90% of FUM.

4.1.1 Background to ICPF

ICPF was launched in 2002 and today operates as an unlisted prime office fund with \$4.1 billion in assets under management across 14 investment properties in Australia. ICPF's investors comprise Australian and offshore institutional investors.

Its FUM has grown substantially over recent years as a result of investor demand and revaluations.

ICPF Holdings Limited's acquisition of 100% of IOM from Morgan Stanley in 2016 led to the establishment of a fully internalised management model for ICPF, with the fund's units becoming stapled to shares in ICPF Holdings Limited.

² We understand from discussions with management that current FUM is not materially different from FUM as at 31 December 2016



4.2 Financial performance

The table below sets out the unaudited income statements of IOM for FY2016 and Management's forecast financial results for FY2017. Given that IOM ceased managing IPT during FY2016, IOM's financial performance prior to FY2016 is not reflective of its ongoing operations. Management has provided us with normalisation and pro-forma adjustments which we have discussed further below.

Table 2: IOM's financial performance

\$'000 (unless otherwise stated)	FY2016 Actual	FY2017 Forecast ¹
Total revenue	59,401	64,516
Operating expenses	(54,683)	(51,027)
EBITDA²	4,718	13,490
Net impact of normalisations adjustments	6,261	(71)
Normalised EBITDA	10,979	13,419
<i>Normalised EBITDA margin %</i>	<i>18.5%</i>	<i>20.8%</i>
Net impact of pro-forma adjustments	(573)	(3,191)
Normalised adjusted EBITDA	10,406	10,228
<i>Normalised adjusted EBITDA margin %</i>	<i>17.5%</i>	<i>15.9%</i>

Source: IOM Management, IOF Management, management accounts for FY2016 and forecast FY2017, Deloitte Corporate Finance analysis
Notes:

1. represents 9 months actual and three months forecast financial results

2. EBITDA is shown before the loss from asset disposal of \$22.6 million resulting from the sale of the IPT Management Rights.

IOM generates income from the provision of funds management, leasing, property management and development services. Refer to Appendix E for further details of the services that IOM offer along with typical fees.

Revenue has increased since FY2016 largely due to increases in funds under management over this period, which has been driven by acquisitions and upwards revaluation of the underlying properties, as well as high leasing fees in FY2017 due to the timing of lease renewals or market rent reviews. Property management fees declined from FY2016 to FY2017 due to the sale of IPT Management Rights during FY2016.

Operating expenses predominantly relate to employee benefits expense (for 200+ employees), but also include corporate operating expenses, rent expenses, technology expenses and other administrative expenses. Operating expenses were abnormally high in FY2016 as IOM incurred \$3.3 million of one-off employee costs in relation to retention payments, recruitment and other personnel costs connected with the Morgan Stanley sale process of the Investa Property Group.

We have made the following adjustments in order to estimate IOM's normalised EBITDA for FY2016 and FY2017:

- recharges of corporate costs from Morgan Stanley (FY2016) and ICPF Holdings Limited (FY2016 and FY2017), which will cease if the Platform JV Proposal proceeds without any consequential increase in other expenses
- retention and other personnel costs relating to staff retention payments connected to the Morgan Stanley sale process
- the payment made to bondholders in relation to waivers of rights connected with change of control provisions at the time of the sale of the IPT Management Rights
- a one-off refund IOM received during FY2017
- the transaction fee IOM received for managing the acquisition transaction for one of its external mandates, which otherwise would not be earned in the normal course of business.



We have adjusted the historical financial performance of IOM in order to arrive at the pro-forma financial performance of the business going forward. These adjustments are as follows:

- non-recurring revenue earned from IPT for the provision of fund management services, leasing services and property management services
- non-recurring expenses, including personnel costs, incurred in managing IPT as IOM no longer manages IPT
- non-recurring revenue earned from external mandates relating to the disposal of a property at the end of FY2017. The proceeds will be returned to the investor and IOM will no longer generate management and property management fees for this property
- leasing revenue which varies substantially from year to year, dependent on the timing of lease renewals, market rent reviews and vacancies requiring re-letting. We have adjusted IOM's FY2016 and FY2017 leasing revenue to reflect an average level of fees expected to be generated in the future
- rent expense relating to the higher rental expense to be incurred in the future, following a relocation of an IOM office
- non-recurring earnings from leasing and property management services for assets disposed of by IOF and the ICPF Fund over the course of FY2016 and FY2017.

The FY2016 actual and FY2017 forecast financial performance, as set out above, has been subject to independent financial review at the request of IOF and specifically in the context of the Platform JV Proposal.

4.3 Financial position

Management have advised that prior to the acquisition of IOM, IOM will close out of all intercompany and related party balances between IOM and its current parent entity, Investa Office Management Holdings, including all current tax payables and liabilities. We note that under the Platform JV Proposal, the Purchase Price will be adjusted for the Purchase Price Adjustments, such that 50% of the working capital balances relating to cash, receivables, payables, accruals, and provisions for employee entitlements will be acquired by IOF in accordance with the joint venture agreement.

Accordingly, at the time of acquisition, the balance sheet of IOM (net of the items relating to the Purchase Price Adjustments) will comprise only of:

- property plant and equipment, relating to computer and office equipment, furniture and fittings and leasehold improvements; and
- intangible assets, relating to the management rights held by IOM.

On this basis, we have not presented a statement of financial position for IOM.

5 Valuation of IOM

5.1 Methodology

For the purposes of assessing the fair market value of the Interest, we have defined fair market value as the amount that might be negotiated in an open, unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length.

In our selection of an appropriate methodology to estimate the fair market value of the Interest we have considered common market practice and the valuation methodologies recommended by RG 111. Further information on the methodology is set out at Appendix B. In estimating the fair market value of the Interest, we have:

- assessed the fair market value of the Interest using the capitalisation of maintainable earnings (CME) method
- cross-checked our estimate of the fair market value of IOM using the percentage of FUM method (FUM %), based on the FUM % observed in comparable transactions involving the internalisation, or sale, of management rights in the property sector, including the transaction whereby ICPF Holdings Limited acquired IOM in January 2016.



5.2 Fair market value of the Interest

Under the terms of the Platform JV Proposal, IOF Holdings Limited will acquire a 50% interest in the management rights and property, plant and equipment (cash and debt free) of IOM, for a Purchase Price of \$45 million. In addition to the Purchase Price, IOF Holdings Limited will also pay the Purchase Price Adjustment, estimated to be approximately \$0.5 million, to reflect the acquisition of a 50% interest in IOM's working capital at completion³.

In assessing whether the Platform JV Proposal is fair, we have compared the Purchase Price to the fair market value of the Interest, excluding the items relating to the Purchase Price Adjustment.

5.2.1 Capitalisation of maintainable earnings

The CME method estimates the fair market value of the Interest by capitalising future earnings using an appropriate multiple. In applying the CME approach, we have considered the following:

- the level of maintainable earnings that the existing operations could reasonably be expected to generate. Given the historically high levels of depreciation and amortisation expense, which is generally uncommon in fund managers, we have selected EBITDA as an appropriate measure of earnings for IOM
- the enterprise value per dollar of EBITDA (EBITDA multiple) observed from recent transactions involving companies comparable to IOM and the trading multiples of listed companies comparable to IOM. Given that the Purchase Price excludes the items relating to the Purchase Price Adjustment, we have adjusted the enterprise values of the comparable companies by removing net tangible assets, noting that IOM only has immaterial property, plant and equipment balances which we have treated separately in the table below.

A summary of the application of the approach is set out below:

Table 3: Summary of valuation outcome under the CME approach

	Unit	Low	High
Maintainable EBITDA	\$'000	10,000	10,500
EBITDA multiple on a control basis	times	9.0	10.0
Assessed fair market value of IOM's management rights on a control basis	\$'000	90,000	105,000
Add: property, plant and equipment ¹	\$'000	1,717	1,717
Assessed fair market value of IOM on a control basis	\$'000	91,717	106,717
Discount on full control value for joint control	%	10%	5%
Assessed fair market value on a joint control basis	\$'000	82,546	101,382
Interest acquired	%	50%	50%
Assessed fair market value of the Interest	\$'000	41,273	50,691

Source: Deloitte Corporate Finance analysis

Notes:

1. this represents property, plant and equipment as at 31 March 2017.

Future maintainable earnings

Future maintainable earnings represent the level of maintainable earnings that the existing operations could reasonably be expected to generate.

³ Refer to Section 2.1 for the definition of the Purchase Price Adjustments. We note that the working capital balance held by IOM is expected to vary over time, and may be different from the estimated \$0.5 million amount. The Independent Directors have commissioned an independent review of working capital requirements, which found that the average net balance over the course of the last 12 months has been minimal but, due to cyclicity within the business, this can vary significantly.



In arriving at our assessed maintainable EBITDA, we have had regard to the adjusted and normalised FY2016 actual and FY2017 forecast financial results, as discussed above in Section 4.2. We have therefore adopted a maintainable EBITDA in the range of \$10.0 million to \$10.5 million.

EBITDA multiple selection

We have applied a current EBITDA multiple ranging from 9.0 to 10.0 times, on a full control basis, to IOM's maintainable earnings based on our analysis of comparable listed trading multiples and recent transaction multiples.

The criteria against which we have selected comparable trading companies and transactions are as follows:

- comparable companies whose primary operations are in the provision of fund management services to property funds. We note that there are no listed Australian pure property fund managers and therefore we have expanded our search to include companies that are in the broader funds management industry
- in the case of comparable transactions, we have attempted to identify those transactions relating to an internalisation, or sale, of management rights in the property sector.

The EBITDA multiples implied through observable share market trading provides some evidence of an appropriate EBITDA multiple to apply to our valuation. However, these multiples do not reflect the market value for control of a company as they are for portfolio holdings. The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding equity values. In comparison, the acquisition price achieved in mergers or acquisitions of companies represents the market value of a controlling interest in that company.

We have applied a notional control premium of 20% to the trading multiples observed for comparable companies to derive share trading multiples on a control basis, and subsequently have adjusted for IOF's joint control (and lack of full control) of IOM in the section below.

We note the following in respect of the comparable companies listed in Table 6 (Appendix C):

- the average and median current EBITDA multiples for the comparable companies are 15.1 times and 13.8 times on a control basis respectively. In calculating these multiples, we have adjusted for the net tangible assets of these entities to ensure that our approach to evaluation is aligned with the structure of the Platform JV Proposal
- the majority of the comparable companies are larger than IOM in terms of FUM and therefore revenue. The average and median FUM of the comparable companies is \$47 billion and \$35 billion respectively, while IOM manages over \$10 billion of assets. In addition, the vast majority of the comparable companies derive funds management fees from a variety of asset classes, including property, equities, fixed income, cash and other diversified assets across a number of different funds. IOM manages four property funds, two of which make up 91% of IOM's FUM, and accordingly it is less diversified than most of the comparable companies. We would expect larger, more diversified companies to attract a higher earnings multiple than would be applied to IOM's business
- we note that IOM's current revenue as a percentage of FUM is 0.7%, which is lower than the average and median revenue for the comparable companies as a percentage of FUM of 1.3% and 1.1% respectively. This suggests that the comparable companies are able to generate more revenue from FUM than IOM, which is likely to lead to higher returns
- the average and median current EBITDA margin for the comparable companies is 52% and 42% respectively, which is significantly higher than IOM's forecast FY2017 maintainable EBITDA margin of 16%. We understand that IOM's operations are highly dependent on employee effort, resulting in high personnel costs. Given that IOM's business generates lower profitability relative to the comparable companies, we would expect a lower earnings multiple to be applied to IOM's business relative to those of the comparable companies.

We have also considered the comparable transactions listed in Table 7 (Appendix D). In determining the transaction consideration, we have adjusted the consideration that was paid for the working capital or other net asset balances to ensure that our approach to evaluation is aligned with the structure of the Platform JV Proposal.



We note the following:

- all of the comparable transactions relate to the acquisition of a controlling interest in a funds management business and accordingly the implied EBITDA and EBIT multiples incorporate a control premium
- the average and median implied EBITDA multiples for the comparable transactions are both 7.6 times, albeit there are limited points of publically available data in relation to these transactions, and many of the observed transactions involved entities managing considerably smaller funds than the funds managed by IOM, which is likely to lead to lower observed multiples for those transactions than would be appropriate for IOM
- the average and median implied EBIT multiples for the comparable transactions are 9.9 times and 9.8 times respectively. While we note that EBIT multiples are generally higher than EBITDA multiples, it is relatively uncommon for fund managers to have high levels of depreciation and amortisation and therefore EBIT and EBITDA multiples may be similar
- of the comparable transactions considered and set out in Table 7, we consider the transactions set out in the table below to be the most comparable to the Interest:

Table 4: Selected comparable transactions

Date	Target	Consideration paid ¹ (\$ million)	FUM (\$ million)	Implied % of FUM	Implied EBIT multiple	Implied EBITDA multiple
Nov-16	Centuria Property Funds	92	1,397	6.6%	10.1x	n/a
Jul-16	GPT Management Holding Limited	9	439	2.0%	6.9x	n/a
Dec-13	Commonwealth Property Office Fund	41	3,700	1.1%	n/a	n/a
Oct-13	Funds management business of GDI Property Group	27	697	3.9%	n/a	n/a
Average		42	1,555	3.4%	8.5x	n/a
Median		34	1,040	3.0%	8.5x	n/a

Source: CapitalIQ, Deloitte Corporate Finance analysis

Notes:

1. consideration paid excludes any amounts paid for working capital and other asset balances at the completion of the transaction

2. n/a = not available.

With respect to the above transactions, we note the following:

- in November 2016, Centuria Capital Limited agreed to acquire 100% of issued share capital of 360 Capital Investment Management Limited (CIML) from 360 Capital Property Group Limited for \$92 million plus \$10 million in cash for CIML's AFSL and net assets requirement. The acquisition included CIML's funds and property management rights over two listed funds and four unlisted funds, which have a combined FUM of \$1.4 billion across 45 properties in the industrial and metropolitan office sector. CIML receives fees predominantly in relation to base management fees and property services fee income
- in July 2016, Growthpoint Properties Australia Limited as responsible entity for the Growthpoint Properties Australia Trust announced a proposal to acquire all of the outstanding units in GPT Metro Office Fund (GMF) for \$9 million. The acquisition would entitle GMF to receive certain management fees over the assets it will manage, including base management fee, property management fee, leasing fee and development management fee. As at 31 March 2016, GMF had \$439 million of FUM across six office properties
- in December 2013, DEXUS Property Group and Canada Plan Pension Investment Board announced the intention to acquire all of the issued units in Commonwealth Property Office Fund (CPA) for consideration of \$41 million. CPA managed \$3.8 billion of assets across 25 office properties located in Australia



- in October 2013, GDI Property Group announced the internalisation of its funds management platform by acquiring the manager for a consideration of \$27 million, relating to the management rights to four office properties across Australia.

Having regard to the above, we have applied an earnings multiple ranging from 9.0 times to 10.0 times, on a full control basis.

Discount on full control value for joint control interest

Our selected EBITDA multiple of 9.0 times to 10.0 times represents the multiple that would be applicable for a full controlling interest in IOM. Under the Platform JV Proposal, we understand that:

- the Interest will not give IOF Limited full control over IOM; instead, the terms of the Platform JV Proposal will give both ICPF Holdings Limited and IOF Limited joint control of IOM
- the IOM board will comprise six directors (inclusive of the Chair), made up of two nominee directors, appointed by each of Investa Office Management Holdings and IOF Holdings Pty Limited, and two executive directors
- resolutions of the IOM board must be decided by a simple majority, other than in respect of certain key matters which require the unanimous resolution of the IOM shareholders
- in the event that Investa Office Management Holdings and IOF Holdings Pty Limited are unable to reach an agreement in respect of matters ordinarily reserved for shareholder approval, the status quo will prevail.

Having regard to the above, IOF Limited will not have full control over IOM, but instead will have joint control. Accordingly, we are of the view that a discount for a lack of full control is applicable to the value of the Interest.

Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. A minority interest discount is the inverse of a premium for control and generally ranges between 15% and 30%.

As IOF Limited's interest in IOM confers joint control, we consider an appropriate discount to the fair market value of IOM on a control basis to lie below this range. Accordingly, we have applied a discount in the range of 5% to 10%.

5.2.2 Cross-check to our valuation

In order to cross-check our valuation of the Interest under the CME method, we have considered our assessed fair market value of IOM on a full control basis as a percentage of IOM's FUM and compared this to the FUM % observed in comparable transactions.

Based on our assessed valuation of IOM, the implied FUM % ranges from 1.1% to 1.2%, as calculated in the table below:

Table 5: Implied FUM % calculation

	Units	Low	High
Assessed fair market value of IOM on a full control basis	\$'000	91,717	106,717
FUM as at 31 December 2016	\$ million	8,656	8,656
Implied consideration as a % of FUM	%	1.1%	1.2%

Source: Deloitte Corporate Finance analysis

In order to assess the reasonableness of the FUM % implied by our valuation of IOM, we have considered only market transactions involving the internalisation, or sale, of management rights in the property sector that have occurred in the last five years. We consider that the more recent transactions reflect the relative values being paid in the current business and market environment. In particular, we have had regard to the selected comparable transactions listed in Table 4. We note that the FUM % implied by our valuation is at the low end of the FUM % observed in comparable transactions and therefore are of the view that this broadly supports our valuation outcome under the CME method.

We also note that ICPF Holdings Limited agreed to acquire Investa Office Management Holdings in March 2016 in a market transaction for \$90 million, subject to working capital adjustments as at completion. Since that



transaction, IOM's FUM has increased and thus the \$45 million could be viewed as favourable relative to the purchase price ICPF Holdings Limited agreed to pay for Investa Office Management Holdings in March 2016.

6 Conclusion and Opinion

We have considered whether the Purchase Price is fair, with reference to the fair market value of the Interest being acquired by IOF. In accordance with RG 111 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 unitholders to accept the offer in absence of any higher bid before the close of the offer.

The Purchase Price of \$45 million falls within our assessed fair market value range for the Interest, of \$41.3 million to \$50.7 million. IOF will also pay the Purchase Price Adjustment for its share of 50% of the working capital at completion date (currently estimated at \$0.5 million). Therefore, in our opinion, the Platform JV Proposal is fair and reasonable and therefore is on arm's length terms.

We also note the following factors unitholders may consider relevant to the reasonableness of the Platform JV Proposal.

Closer alignment of interests of IOF and its manager

The internalisation is likely to provide greater alignment between IOF and its manager, providing IOF with the opportunity to more closely influence the strategy of the Fund as well as directly control key performance indicators and incentive arrangements for personnel which manage the Fund.

Further, approval of the Platform JV Proposal will likely remove a potential perceived conflict of interest associated with the current arrangement which involves ILFML acting as the RE of IOF whilst being a wholly owned subsidiary of IOM.

Access to returns from a broader property portfolio

If the Platform JV Proposal proceeds, IOF unitholders will gain exposure to returns associated with the management of funds outside the IOF portfolio, including any increases and reductions in asset values associated with third parties such as ICPF and private mandates.

Change to investment exposure by IOF unitholders

IOF unitholders are currently passive investors in Australian office property. Should the Platform JV Proposal proceed, IOF unitholders will become exposed to risks associated with the active operation of a property management platform. Further, IOM is involved in providing a broad range of property services beyond more traditional asset and property management services. Services such as development management, which can be provided to properties both within and outside of funds being managed by IOM, are currently a relatively small portion of IOM's business and are expected to grow as a service offering. The Platform JV Proposal affords IOF unitholders the opportunity to gain exposure to a diversified earnings base and access potential earnings growth from IOM's growing service lines, along with the attendant risks.

Notwithstanding the above, due to the size of IOF compared to IOM, the vast majority of financial exposure for unitholders in IOF will continue to come from their passive investment in the Fund's Australian office property.

Pre-emptive shareholder rights within the joint venture

Under the terms of the joint venture agreement, shareholders of IOM will hold pre-emptive rights over their joint venture partner's shares in the event of a potential change of control for either shareholder. Further, the buy-out price payable by the remaining shareholder will be subject to a downward adjustment in recognition of scale down costs for the Platform.

As a result, in the event of a potential acquisition of IOF by a third party, the consideration receivable by the third party bidder for their share of the Platform may recognise the downward adjustment mechanism for scale down costs. As such, whilst immaterial given the size of IOF, this could prove to be a disincentive to a potential bidder for IOF. Put another way, the Purchase Price of \$45 million could be significantly lower in the context of a takeover offer for IOF.

However, it is common for bidders of actively managed funds to enter into facilitation agreements with the fund manager in order to ensure the orderly transition of operations, which will not be necessary following the acquisition of the Interest. A term of the Platform JV Proposal is that, in the event there is a change of control of IOF, or ILFML is removed as the responsible entity of IOF, then ILFML must use all reasonable endeavours to arrange the orderly transfer of records and data relating to IOF as if a facilitation fee had been paid and

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transaction was being recommended. The effect of this is that the records and data of the management platform relating to IOF are effectively owned by unitholders. To the extent those records and data have value that may otherwise have been the subject of a facilitation fee paid by a third party to the management platform, that value would be available for the benefit of unitholders in any future transaction.

Decline in net tangible assets per share (NTA)

Should the Platform JV Proposal proceed, IOF's NTA per unit is expected to decline by \$0.07 per unit due to the acquisition of intangible assets associated with IOM. In our view however, distributions to unitholders arising from the IOM business is likely to be a more pertinent consideration to unitholders than tangible asset measures, given the active operating nature of the IOM business. We also note that the decline in NTA of \$0.07 per unit is relatively minor at only 1.6% of IOF's NTA per unit as at 31 December 2016 of \$4.49. However, the Net Asset Value of IOF is not expected to be materially impacted.

Higher level of gearing for IOF

IOF's acquisition of 50% of IOM under the Platform JV Proposal is expected to be funded wholly by debt. We note however that the overall increase in gearing is relatively minor at 1.6%.

Scale benefits relative to full internalisation

The operational and governance review undertaken by IOF identified that the management fees being paid by IOF were lower than the costs that would be incurred by IOF if it were to internalise the management of IOF. It also identified that IOM deliver certain scale benefits through its platform to IOF.

As such, the Platform JV Proposal allows IOF to benefit from a partial internalisation whilst also benefiting from the value benefits IOM derives from the scale its platform has.

Taxation implications arising from the Platform JV Proposal

Annexure B to the Notice of Meeting and Explanatory Memorandum provides detail in relation to potential taxation implications for IOF unitholders arising from the passing of the Platform JV Proposal. Unitholders should obtain their own independent advice in connection with how the Platform JV Proposal would affect their specific circumstances.

Yours faithfully

Stephen Reid

Authorised Representative Number: 461011
Deloitte Corporate Finance Pty Limited

Tapan Parekh

Authorised Representative Number: 461009
Deloitte Corporate Finance Pty Limited



Appendix A: Context to the Report

Limitations, qualifications and declarations

The report has been commissioned by the directors of ILFML, as responsible entity of IOF and may be disclosed publically. Accordingly, it has been prepared only for the benefit of the directors of ILFML and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the directors of ILFML, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Platform JV Proposal is fair and reasonable and is on arm's length terms.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by ILFML and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to ILFML management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by ILFML and its officers, employees, agents or advisors, ILFML has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which ILFML may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by ILFML and its officers, employees, agents or advisors or the failure by ILFML and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Platform JV Proposal.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of IOF and IOM personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (AUASB) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information of IOM included in this report have been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of IOM referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Reid, M.App.Fin, B.Ec, CA, F.Fin, and Tapan Parekh, B.Bus, M.Comm, CA, F.Fin. Stephen and Tapan are Authorised Representatives of Deloitte Corporate Finance. Stephen and Tapan have many 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.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- ILFML, as RE for IOF, proposes to issue a disclosure document in respect of the Platform JV Proposal (the Explanatory Memorandum)
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format

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- it has previously received a copy of the draft Explanatory Memorandum for review
- it is named in the Explanatory Memorandum as the 'independent expert' and its independent expert's report in Annexure A of the Explanatory Memorandum.

On the basis that the Explanatory Memorandum is consistent in all material respects with the draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its independent expert's report in Annexure A of the Explanatory Memorandum and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the independent expert's report as included in Annexure A.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- the Acquisition and Joint Venture Term Sheet
- IOM's historical and forecast FUM from FY2014 to FY2020
- management accounts for IOM for the years ending 30 June 2014 to 30 June 2016 and the nine months ending 31 March 2017 as provided by IOM Management
- forecast management accounts for IOM for the years ending 30 June 2017 to 30 June 2020 as provided by IOM Management
- normalisations and pro-forma adjustments, as provided by IOF Management, for the years ending 30 June 2016 and 30 June 2017
- independent review report, prepared for IOF, analysing IOM's FY2016 and FY2017 financial performance and historical working capital balances
- annual reports for comparable companies
- management agreements between IOM and IOF, ICPF and other external mandates
- company websites for IOF, Investa Group and comparable companies
- publicly available information on comparable companies and market transactions published by ASIC, Thompson research, Capital IQ and Mergermarket.

In addition, we have had discussions and correspondence with certain directors and executives, including Geoff Kleeman, Chairman (IOF); Richard Longes, Independent Director (IOF), Bob Seidler, Independent Director (IOF); Nick Learmonth, Financial Controller (IOF); Andrew Murray, Group General Counsel (Investa Group); Ivan Gorridge, Chief Financial Officer (Investa Group) in relation to the above information.



Appendix B: Valuation methodologies

To estimate the fair market value of IOM we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its securities or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent security trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent security trading history provides evidence of the fair market value of the securities in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to securityholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies



Appendix C: Comparable listed companies

The table below sets out our selected comparable companies. We have attempted to identify those companies whose primary operations are in the provision of funds management services to property funds. However, there are no listed Australian pure-play property fund managers and therefore we have considered companies that are in the broader funds management industry.

Table 6: Comparable listed companies

Company name	Market cap ¹ (\$ million)	Enterprise value ² (\$ million)	Gearing	EBITDA multiple		EBITDA margins		FUM (\$ million)	EV / FUM ²	Revenue / FUM
				Current	Forward	Current	Forward			
Magellan Financial Group	4,906	4,510	0%	18.2x	15.4x	74.8%	75.4%	40,495	11.8%	0.8%
BT Investment Management Limited	4,248	4,046	0%	19.8x	16.3x	40.6%	42.3%	84,000	4.8%	0.6%
Platinum Investment Management Limited	3,453	3,075	0%	12.3x	12.4x	79.7%	78.8%	22,700	13.5%	1.4%
IOOF Holdings Ltd	3,001	3,263	1%	13.9x	12.9x	42.0%	43.5%	104,700	3.1%	0.5%
Perpetual Limited	2,891	2,694	0%	12.6x	11.8x	41.8%	42.1%	29,400	9.2%	1.7%
EQT Holdings Limited	420	375	0%	13.6x	11.7x	34.4%	37.1%	3,200	11.7%	2.5%
Average	3,153	2,994	0%	15.1x	13.4x	52.2%	53.2%	47,416	8.9%	1.3%
Median	3,227	3,169	0%	13.8x	12.7x	41.9%	42.9%	34,948	10.2%	1.1%

Source: CapitalIQ, Deloitte Corporate Finance analysis

Notes:

1. market capitalisation and enterprise calculated as at 13 April 2017 and includes a control premium of 20%
2. enterprise value includes a control premium of 20%, and has been adjusted to remove net tangible assets, to be consistent with our evaluation of the Purchase Price.



Appendix D: Comparable transactions

Table 7: Comparable transactions

Announcement date	Target	Acquirer	Consideration paid ¹ (\$ million)	FUM (\$ million)	Implied consideration as % of FUM	Current EBIT multiple	Current EBITDA multiple
Nov-16	Centuria Property funds (360 capital property group) ²	Centuria Capital Limited	92	1,397	6.6%	10.1x	n/a
Jul-16	GPT Management Holding Limited	Acquisition by Growthpoint Properties Australia Trust	9	439	2.0%	6.9x	n/a
Mar-16	Investa Office Management Platform	Investa Commercial Property Fund	90	8,500	1.1%	9.4x	8.7x
Jan-15	Valad Europe property management platform	Cromwell Property Group	158	7,600	2.1%	n/a	6.4x
Nov-14	Arena Investment Management	Arena REIT	11	382	2.8%	12.5x	n/a
Jun-14	Westfield Australia and New Zealand real estate platform ³	Westfield Retail Trust (Scentre Group)	2,158	38,600	5.6%	11.1x	n/a
Dec-13	Commonwealth Property Office Fund (CPA)	DEXUS	41	3,700	1.1%	n/a	n/a
Dec-13	Commonwealth Managed Investments	CFS Retail Property Trust	460	13,900	3.3%	9.5x	n/a
Oct-13	Funds management business of GDI Property Group	GDI Property Group	27	683	3.9%	n/a	n/a
Average			338	8,356	3.2%	9.9x	7.6x
Median			90	3,700	2.8%	9.8x	7.6x

Source: CapitalIQ, Deloitte Corporate Finance analysis

Notes:

1. consideration paid excludes any amounts paid for working capital and other asset balances at the completion of the transaction, to be consistent with our evaluation of the Purchase Price

2. Centuria Capital Limited paid additional \$10 million in cash for co-investment stakes and this has been excluded from the numbers presented

3. the consideration is based on the implied value of the management platform set out in the security holder booklet dated April 2014

4. n/a = not available.



Appendix E: Overview of services and management arrangements

Of IOM's revenues, broadly 60% are earned from funds management operations, 15% from leasing and 15% from property management services. Whilst real estate managers would typically outsource a number of the below services, the integrated approach adopted by IOM to the provision of the below platform services is considered to be particularly advantageous for the identification of growth opportunities as well as for building relationships with tenants and accordingly maximising returns for property owners over time. The following table provides an overview of all services provided by IOM as well as fees charged.

Table 8: IOM's services and management arrangements

Service area	Service type	Service description and fees charged
Real estate operations and asset services to IOF, ICPF, IPT as well as a small number of private clients with which it has mandates	Asset management	<ul style="list-style-type: none"> • execution of owner strategies for delivery of overall asset performance • management of tenant relationships including leasing negotiations • meeting compliance and reporting requirements • fees charged for leasing services: <ul style="list-style-type: none"> ◦ finalising leases for existing tenants or relocation of existing tenants: 10.0% - 15.0% of the gross face rent for the first year of the lease term ◦ lease renewals: 5.0% - 7.5% of gross face rent for the first year of the lease term ◦ leasing additional space: 7.0% of gross face rent for the first year of the lease term ◦ market rent review of tenant: 10.0% of the increase in rent for the first year of the lease term ◦ over-rider fee: 20.0% of the fee that would otherwise be payable if the service was solely performed by the IOM leasing manager
	Property management	<ul style="list-style-type: none"> • execution of asset and property budget plans • lease administration • property management fees vary depending on building but generally range between 1.0% and 2.0% of gross annual revenue
	Facilities management	<ul style="list-style-type: none"> • manage external contractors and building services • manage operating expenses initiatives
	Property management accounting	<ul style="list-style-type: none"> • maintain financial reporting obligations including with respect to real estate trust accounts
	Project management	<ul style="list-style-type: none"> • manage capital works programs in line with property owner requirements • fees charged at between 1.0% and 2.0% of cost of capital works
	Sustainability, safety and environment	<ul style="list-style-type: none"> • develop and implement sustainability and safety practices
	Research	<ul style="list-style-type: none"> • research to inform economic factors influencing market conditions and ensuing lease terms



Appendix E: Overview of services and management arrangements cont'd

Table 8: IOM's services and management arrangements cont'd

Service area	Service type	Service description and fees charged
Funds management services to IOF, ICPF and private mandates	Provision of fund management services on behalf of institutional and retail investors.	<ul style="list-style-type: none"> fees based on a percentage of funds under management and a percentage of volume weighted average price for listed funds: <ul style="list-style-type: none"> IOF fee of 0.55% per annum of market capitalisation as measured on a quarterly basis ICPF fee of 0.50% per annum of Gross Asset Value (GAV) up to \$3.5 billion, and 0.45% per annum of GAV greater than \$3.5 billion private mandate fees of 0.20% to 0.40% per annum of GAV. Performance fees are often payable
Capital transaction services	Provision of buy and sell side transaction services	<ul style="list-style-type: none"> identify assets and purchasers for transaction purposes conduct pricing analysis, including modelling manage deal process through to execution, including with respect to due diligence and execution
Development management services	Project sourcing and development opportunity identification Development and project management Project delivery	<ul style="list-style-type: none"> sourcing development opportunities in relation to redevelopment, re-use and refurbishment projects whole of life cycle property development fees for development works generally range between 0.75% and 2.75% ensuring quality and compliance during the project delivery period in accordance with an agreed design brief
Back of house services	Financial support Compliance and governance	<ul style="list-style-type: none"> provision of accounting, taxation, treasury, legal secretariat, marketing and information technology services provision of services to ensure compliance with corporate governance and ethical frameworks

Source: Management



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AUSTRALIAN TAXATION REPORT

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8 May 2017

The Directors
Investa Listed Funds Management Limited as
responsible entity for Prime Credit Property Trust
and Armstrong Jones Office Fund
Level 6, Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

Dear Directors

Australian Taxation Report

We have been requested to prepare a summary of the Australian tax consequences for Australian resident and non-resident IOF Unitholders of the implementation of the Proposal to be included in the Notice of Meeting and Explanatory Memorandum issued by ILFML dated on or around 8 May 2017 (the **Explanatory Memorandum**).

This summary has been prepared on the assumption that the Proposal described in the Explanatory Memorandum will be carried out in the manner described in the Explanatory Memorandum.

This summary does not address all tax consequences to IOF Unitholders of the Proposal, and in particular, does not address the positions of IOF Unitholders who:

- acquired their Existing Securities in the course of a business of trading or investing in securities, such as share traders, investment companies, banks or insurance companies, or who otherwise hold Existing Securities on revenue account or as trading stock; and/or
- are subject to the 'taxation of financial arrangements' rules in Division 230 of the Tax Act; and/or
- do not pass the non-portfolio test (the non-portfolio test would be passed if the IOF Unitholder holds, (or has during the relevant period described below) on an associate inclusive basis, a less than 10% interest in the AJO Fund and PCP Trust).

The actual tax consequences to IOF Unitholders of the Proposal may differ depending upon their individual circumstances. **IOF Unitholders should be advised to consult their own professional tax adviser regarding the consequences of the Proposal in light of their particular circumstances. IOF Unitholders who are not resident in Australia must obtain advice on the taxation implications arising from the Proposal in their local jurisdiction.**

This summary is based on Australian tax laws and regulations and the current administrative practice of the Australian Taxation Office (**ATO**) as at the date of this letter.

Defined terms used in this letter take their meaning from the Explanatory Memorandum, unless the context requires otherwise.

Allens is an independent partnership operating in alliance with Linklaters LLP.

Investa Listed Funds Management Limited

Allens & Linklaters

1 Class Ruling

ILFML intends to apply for a public Class Ruling requesting confirmation of the ATO's views on the principal tax issues considered below. If a Class Ruling is applied for, the Class Ruling may not be issued until after the implementation of the Proposal. Once issued, it will be available on the ATO website and on www.investa.com.au/iof.

2 Income Tax Consequences of Proposal

2.1 Capital Distribution

(a) Australian resident IOF Unitholders

No part of the Capital Distribution should be treated as ordinary income for the IOF Unitholders.

The effect of the Capital Distribution will be to reduce the cost base that IOF Unitholders have in their units in AJO Fund and PCP Trust. If the Capital Distribution exceeds the cost base, then an IOF Unitholder will make a capital gain equal to the amount of the excess. The date on which the capital gain will occur will be just before the end of the income year in which the Capital Distribution is paid rather than the time of the actual Capital Distribution.

IOF Unitholders who realise a capital gain as a result of the Capital Distribution might be entitled to a CGT Discount (as discussed below in section 4.2).

Part of the Capital Distribution may be attributable to amounts of discount capital gains that have been excluded from net capital gains made by AJO Fund or PCP Trust. Any such amounts will not reduce the cost base that IOF Unitholders have in their units in AJO Fund and PCP Trust, nor potentially give rise to a capital gain as described above. However, this tax treatment may change if AJO Fund and PCP Trust elect to be treated as 'Attribution Managed Investment Trusts' (**AMITs**) for the income year ending 30 June 2017. It has not yet been decided whether or when AJO Fund and PCP Trust might elect into the AMIT regime.

(b) Non-resident IOF Unitholders

The income tax consequences of the Capital Distribution for non-resident IOF Unitholders should be similar to that for Australian resident IOF Unitholders, except that a non-resident IOF Unitholder will be exempt from any capital gain provided that:

- the interest in AJO Fund and PCP Trust held by the IOF Unitholder does not pass the non-portfolio test just before the date on which the relevant capital gains tax (**CGT**) event or throughout a 12 month period that began no earlier than 24 months before that time (the non-portfolio test would be passed if the IOF Unitholder holds, on an associate inclusive basis, a 10% or greater interest in AJO Fund or PCP Trust); and
- the IOF Unitholder does not use its units in AJO Fund and PCP Trust in carrying on a business through a permanent establishment in Australia.

2.2 Subscription for Newco Shares

(a) Australian resident IOF Unitholders

Each Australian resident IOF Unitholder will be issued one fully paid ordinary Newco Share for each Existing Security held by that IOF Unitholder. The proceeds from the Capital Distribution will be applied to pay the subscription price for the Newco Shares.

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IOF Unitholders will have a cost base in the Newco Shares that will be equal to the Capital Distribution discussed above at section 2.1 that is applied in acquiring the Newco Shares. The amount of the Capital Distribution should be apportioned across the total number of Newco Shares issued to determine the cost base per Newco Share.

The date of acquisition of the Newco Shares will be the date on which the shares are issued.

(b) Non-resident IOF Unitholders

The transfer of the Existing Securities to the Sale Nominee should not be recognised for Australian CGT purposes as a taxable transaction and the subsequent sale of the New Stapled Securities will be treated as if the non-resident IOF Unitholder had, themselves, sold the shares.

Non-resident IOF Unitholders will have a cost base in the Newco Shares that will be equal to the Capital Distribution discussed above at section 2.1 that is applied in acquiring the Newco Shares, and the amount of the Capital Distribution should be apportioned across the total number of Newco Shares issued to determine the cost base per Newco Share, in the same way as for Australian resident IOF Unitholders.

A discussion of the tax consequences of the sale of the New Stapled Securities pursuant to the Sale Facility is set out below in section 4.3.

2.3 Stapling of Newco, AJO Fund and PCP Trust

There should be no income tax consequences from the stapling of Newco, AJO Fund and PCP Trust for either Australian resident or non-resident IOF Unitholders.

3 Holding New Stapled Securities

3.1 General

Each New Stapled Security will comprise one Newco Share, one unit in AJO Fund and one unit in PCP Trust, and the consequences of holding each should be considered separately for income tax purposes.

3.2 Income distributions from AJO Fund and PCP Trust

ILFML as the responsible entity of each of AJO Fund and PCP Trust intends to continue to manage AJO Fund and PCP Trust such that each is a flow-through entity. Therefore AJO Fund and PCP Trust should not be liable to tax on their income provided that the IOF Unitholders are presently entitled to all the income of the relevant trust.

Any future distributions made from AJO Fund and PCP Trust will be subject to the same taxation treatment as distributions made on the Existing Securities.

3.3 Dividends from Newco

(a) Australian residents

Australian residents will be required to include the amounts of any dividends in their assessable income.

Any franking credits attached to those dividends should also be included in the New Stapled Securityholder's assessable income and tax offsets should generally be available, equal to the amounts of the franking credits, subject to the requirements that the Newco Shares be held 'at risk' for the requisite periods (see below regarding the 'holding period rule').

Where New Stapled Securityholders who are individuals or complying superannuation entities are entitled to tax offsets, those offsets will either reduce any tax payable by the New

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Stapled Securityholders, or give rise to tax refunds to the extent that the tax offsets exceed the tax that is otherwise payable by the New Stapled Securityholders.

To the extent that any dividends are unfranked, those unfranked amounts will also be included in New Stapled Securityholders' assessable income, without any tax offsets.

New Stapled Securityholders that are companies are not entitled to refunds of excess tax offsets, but will be entitled to a credit in their franking account equal to the amount of the franking credits attached to a dividend, subject to the qualifications mentioned above and discussed further below.

'Holding period rule'

A New Stapled Securityholder will not be entitled to tax offsets in respect of franking credits on a franked dividend unless the New Stapled Securityholder is a 'qualified person' in relation to the distribution.

To be a 'qualified person' in relation to a distribution, a New Stapled Securityholder must have held the Newco Shares 'at risk' for a continuous period of at least 45 days (excluding the days of acquisition and disposal) during:

- the 'primary qualification period', which is the period beginning on the day after the day on which the Newco Shares are acquired by a New Stapled Securityholder and ending on the 45th day after the day that the Newco Shares became ex-dividend; or
- if a New Stapled Securityholder, or an associate, is under an obligation to make 'related payments' (which have the effect of passing on the benefit of the New Stapled Securityholder to other entities) in respect of the dividend, the 'secondary qualification period', which is the period beginning on the 45th day before, and ending on the 45th day after, the day that the Newco Shares became ex-dividend.

To be held 'at risk', the New Stapled Securityholder must effectively retain 30% or more of the risks and benefits associated with holding the Newco Shares. Whether or not the Newco Shares are held 'at risk' by a New Stapled Securityholder during the relevant periods will depend upon whether the New Stapled Securityholder has financial positions or undertakes risk management strategies (e.g. using limited recourse loans, options or forward sale contracts) in relation to the Newco Shares. On the basis that New Stapled Securityholders will continue to hold the Newco Shares for at least the 'primary qualification period', will not have any financial positions or enter into any relevant risk management strategies in relation to the Newco Shares, and will not be under an obligation to make 'related payments' to other entities, New Stapled Securityholders should be 'qualified persons' in relation to dividends on the Newco Shares.

New Stapled Securityholders who are individuals and who will not claim tax offsets in any one year in excess of \$5,000, will automatically be taken to be 'qualified persons' in relation to all dividends that they receive (provided that they are not under an obligation to make a 'related payment' as described above).

The application of the franking rules to New Stapled Securityholders will depend upon the particular circumstances of each New Stapled Securityholder. Accordingly, each New Stapled Securityholder should seek independent advice as to whether they will be treated as a 'qualified person' in relation to dividends received on the Newco Shares.

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(b) Non-residents

To the extent that dividends paid to non-resident New Stapled Securityholders, who do not hold their Newco Shares through a permanent establishment in Australia, are franked, those dividends will not be subject to Australian withholding tax.

Where such dividends are not fully franked, the unfranked portion of any such dividend will be subject to withholding tax at the rate of 30%. This rate may be reduced if the non-resident is resident in a country that has a double taxation agreement with Australia.

4 Disposal of New Stapled Securities

4.1 General

Although the shares in Newco and the units in AJO Fund and units in PCP Trust are stapled and therefore cannot be traded separately, each share in Newco, unit in AJO Fund and unit in PCP Trust is a separate CGT asset. Any gains or losses made by IOF Unitholders on the disposal of their New Stapled Securities will be taxed under the CGT provisions in respect of each asset.

The capital proceeds received for a disposal of each individual share in Newco, unit in AJO Fund and unit in PCP Trust will be determined by apportioning the total capital proceeds received in respect of the disposal of the New Stapled Securities between each asset on a reasonable basis.

4.2 Australian residents

The disposal of a New Stapled Security, whether through an on-market disposal, redemption, or transfer will be a CGT event.

A capital gain will be made if:

- in relation to a share in Newco, the portion of the capital proceeds reasonably attributable to that share exceeds its cost base; and/or
- in relation to a unit in AJO Fund, the portion of the capital proceeds reasonably attributable to that unit exceeds its cost base; and/or
- in relation to a unit in PCP Trust, the portion of the capital proceeds reasonably attributable to that unit exceeds its cost base.

A capital loss will be made if:

- in relation to a share in Newco, the portion of the capital proceeds reasonably attributable to that share is less than its reduced cost base; and/or
- in relation to a unit in AJO Fund, the portion of the capital proceeds reasonably attributable to that unit is less than its reduced cost base; and/or
- in relation to a unit in PCP Trust, the portion of the capital proceeds reasonably attributable to that unit is less than its reduced cost base.

The cost base or reduced cost base of a share in Newco, unit in AJO Fund or unit in PCP Trust will generally be the amount the IOF Unitholder paid for it (including incidental costs of acquisition and disposal), taking into account any reductions to cost base as a consequence of any capital distributions (including that described above at section 2.1).

For New Stapled Securityholders who acquired shares in Newco pursuant to the Proposal, the first element of the cost base or reduced cost base of a share in Newco should be equal to the capital distribution applied to acquire the share (as described above at section 2.2).

Any capital gain or capital loss will be aggregated with other capital gains and capital losses of the New Stapled Securityholder in the relevant income year to determine whether the New Stapled

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Securityholder has a net capital gain or net capital loss. A net capital gain, if any, will be included in the New Stapled Securityholder's assessable income and subject to income tax. A net capital loss may not be deducted against other assessable income, but may be carried forward to be offset against net capital gains realised in later income years.

If a New Stapled Securityholder is an individual, complying superannuation entity or a trust, and held their shares in Newco, units in AJO Fund or units in PCP Trust for 12 months or more before the disposal, the New Stapled Securityholder should be entitled to a **CGT Discount** for any capital gain made on the disposal of the relevant securities that had been held for 12 months or more.

As stated above at section 2.2, the date of acquisition of Newco Shares acquired in the course of implementation of the Proposal will be the date on which the shares are issued. The date of acquisition of units in AJO Fund or units in PCP Trust will not be affected by the implementation of the Proposal.

The CGT Discount provisions may entitle New Stapled Securityholders to reduce their capital gain on the disposal of a share in Newco, unit in AJO Fund or unit in PCP Trust (after deducting available capital losses) by half, in the case of individuals and trusts, or by one-third, in the case of complying superannuation entities. Trustees should seek specific advice regarding the tax consequences of making distributions attributable to discounted capital gains.

The CGT Discount is not available to companies, nor can it apply to shares in Newco, units in AJO Fund or units in PCP Trust disposed of by New Stapled Securityholders under an agreement entered into within 12 months of the acquisition of the relevant securities by those New Stapled Securityholders. New Stapled Securityholders should seek independent advice to determine if their shares in Newco, units in AJO Fund or units in PCP Trust have been held for the requisite period.

4.3 Non-residents

Any capital gain or capital loss made by a non-resident from the disposal of their New Stapled Securities pursuant to the Sale Facility is likely to be disregarded on the basis that New Stapled Securities are not likely to be 'taxable Australian property' at the time of sale, unless:

the units in AJO fund and PCP Trust held by the IOF Unitholder pass the non-portfolio test just before the CGT event or throughout a 12 month period that began no earlier than 24 months before that time (the non-portfolio test would be passed if the IOF Unitholder holds, on an associate inclusive basis, a less than 10% interest in AJO Fund and PCP Trust); and

the IOF Unitholder does not use the units that it holds in AJO Fund and PCP Trust in carrying on a business through a permanent establishment in Australia.

Any non-resident who held their New Stapled Securities in the course of carrying on a business should obtain specific advice in respect of the potential consequences of a disposal of their New Stapled Securities in their particular circumstances.

5 Potential Change of Law – Stapled Structures

The future treatment of stapled structures is currently uncertain. In January 2017, the ATO released a taxpayer alert (TA 2017/1) in which it raised concerns about the increasing use of stapled structures to "fragment" trading income and effectively convert trading income into passive income which could benefit from more concessional tax treatment. The taxpayer alert specifically excluded Australian real estate investment trusts (**AREITs**) from the scope of the ATO's review on the basis that typical AREITs did not involve the fragmentation of trading income because the property trust was receiving rent from third parties. Therefore, it is not expected that the ATO would be concerned by the addition of Newco to the existing stapled structure but the position is not certain.

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More recently, the Commonwealth Treasury has released a Consultation Paper on stapled structures. The Government is considering whether a change of law might be required to protect the corporate tax base from the erosion which is perceived to occur when trading income is effectively converted into passive income which can then flow through a trust. Although AREITs are included within the scope of that review, it appears that Treasury intends that the current tax treatment of AREITs should not be materially changed but again the position remains uncertain.

6 Provision of TFN and/or ABN

If the holder of a New Stapled Security does not provide their Tax File Number, Australian Business Number, or notified ILFML of a relevant exemption, tax may be withheld at the rate specified in the *Taxation Administration Regulations 1976* (currently 49%) on any gross distributions made (although the holder of the New Stapled Security might be entitled to claim an income tax credit in respect of the tax withheld).

7 GST

No GST should be payable by an IOF Unitholder (whether Australian resident or non-resident) in respect of any of the steps of the Proposal. The current and future distributions to holders of the New Stapled Securities will not be subject to GST.

8 Stamp Duty

No stamp duty should be payable by an IOF Unitholder in respect of any of the steps of the Proposal. The sale or transfer of New Stapled Securities should not be subject to stamp duty, assuming:

- AJO Fund and PCP Trust continue to be listed on the ASX; and
- no person, whether alone or together with associates, acquires a greater than 90% interest in either AJO Fund or PCP Trust.

Yours faithfully



Charles Armitage

Partner

Allens

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NOTICE OF MEETING



NOTICE OF MEETING

ANNEXURE C

NOTICE OF IOF UNITHOLDERS' MEETING

Investa Office Fund

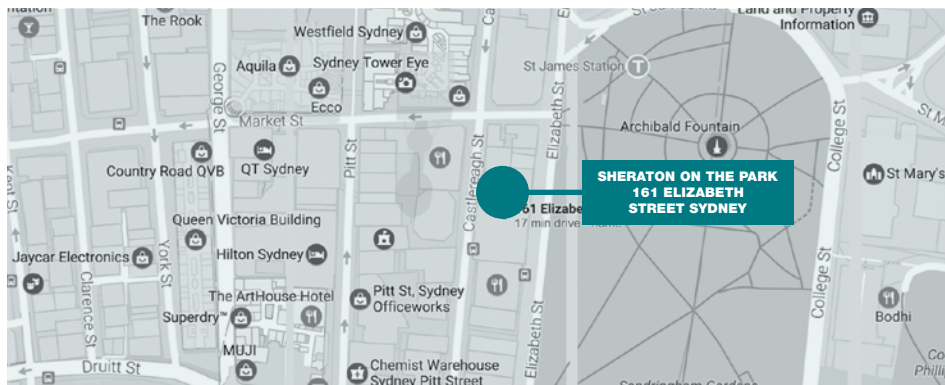
comprising

Armstrong Jones Office Fund (ARSN 090 242 229)

and

Prime Credit Property Trust (ARSN 089 849 196)

Investa Listed Funds Management Limited (ABN 37 149 175 655) (the Responsible Entity) as responsible entity of Armstrong Jones Office Fund (ARSN 090 242 229) (AJO) and Prime Credit Property Trust (ARSN 089 849 196) (PCP) (AJO and PCP are, together, IOF) gives notice that a meeting of the unitholders of IOF will be held as follows:



Time: 10.00am

Date: Wednesday, 31 May 2017

Place: Times on the Park Room
Sheraton on the Park
161 Elizabeth Street
Sydney NSW 2000

BUSINESS OF THE MEETING

The Resolution should be read in conjunction with the Explanatory Memorandum which sets out a detailed explanation of the reasons for the Resolution. 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 formal business of the Meeting will consist of the following Resolution:

Resolution

Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of the members of AJO and PCP.

"THAT for all purposes, the Proposal, as described in this Explanatory Memorandum and with such modifications, if any, as are approved at the meeting, be approved and Investa Listed Funds Management Limited (as the responsible entity of the Armstrong Jones Office Fund (ARSN 090 242 229) and the Prime Credit Property Trust (ARSN 089 849 196)) be authorised to do all things which it considers necessary, desirable or reasonably incidental to give effect to the Proposal."

Reasons for the Proposal

The Proposal Resolution 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 Existing Securities as at 7:00pm on Monday, 29 May 2017 will be entitled to attend and vote at the Meeting, subject to the Voting Exclusion Statement below.

Accordingly, transfers of Units registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Majority required

The Resolution is an ordinary resolution and will be passed if more than 50% of the total number of votes cast on the resolution (by IOF Unitholders entitled to vote) are cast in favour of the Resolution.

Voting exclusion statement

In accordance with section 253E of the Corporations Act, the responsible entity of a registered scheme and its associates are not entitled to vote their interest in the Resolution if they have an interest in the Resolution other than as member of AJO and PCP.

IWFML is an associate of ILFML and, together with its related bodies corporate, currently holds (in its capacity as responsible entity of the ICPF Fund) approximately 8.94% of the Existing Securities. The interest of IWFML and its related bodies corporate are not able to be voted for or against the Resolution at the Meeting.

NOTICE OF MEETING

ANNEXURE C

Resolution

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

- 1 Each Unitholder of IOF entitled to attend and vote has a right to appoint a proxy, and you may appoint the Chairman of the Meeting as your proxy.
- 2 If a Unitholder appoints two proxies, the 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 Unitholder's votes, each proxy may exercise half of the votes.
- 3 A proxy need not be a Unitholder.
- 4 The Proxy Form, which accompanies this Notice of Meeting, includes instructions on how to vote and appoint a proxy.
- 5 The Chairman intends to vote all undirected proxies in favour of the Resolution.

To ensure that all IOF Unitholders can exercise their right to vote on the Resolution, a Proxy Form is enclosed together with a reply paid envelope. In order to be valid, Proxy Forms must be completed and received by no later than 10:00am (Sydney time) on Monday, 29 May 2017. The Proxy Form can be lodged using the reply paid envelope or:

- Online at www.investorcentre.linkmarketservices.com.au in accordance with the Proxy Form; or
- By mailing or faxing to:

Investa Office Fund

C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Fax: +61 2 9287 0309

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 Monday, 29 May 2017, unless it has been previously provided to ILFML.

Voting by corporate representatives

- 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.



Andrew Murray
Company Secretary

Investa Listed Funds Management Limited

SUMMARY OF MATERIAL CONTRACTS



SUMMARY OF MATERIAL CONTRACTS

ANNEXURE D

JOINT VENTURE AGREEMENT	
1 Parties	IOMH (ICPF Shareholder); and Newco Acquirer (IOF Shareholder), each a Shareholder ; and IOM
IOM GOVERNANCE	
2 Structure of IOM Board	The board of IOM will be comprised of up to 6 directors (inclusive of the Chair). Each Shareholder may appoint up to two directors. In addition, two executive directors will be appointed to the board.
3 IOM Chair	<ul style="list-style-type: none"> – The initial Chairperson of IOM will be Rebecca McGrath (an ICPF Shareholder nominee director) for a term of three years from Completion. – Subsequent Chairpersons will be decided by mutual agreement of the shareholders. – The Chairperson will not have a casting vote at IOM Board meetings in addition to any deliberative vote he or she may have.
4 IOM Board decision making	<ul style="list-style-type: none"> – The business of the Management Platform will be subject to the overall supervision and control of the IOM Board, other than matters which are Shareholder Reserved Matters (see section 6 of this Annexure D below). – The quorum for a meeting of the IOM Board will be one nominee director from each of the IOF Shareholder and ICPF Shareholder. – All resolutions of the IOM Board must be decided by a simple majority. – Each director will have one vote (except that a director nominated by a Shareholder may also exercise the votes held by any other director nominated by that Shareholder who is not present at the meeting). – When considering any related party matter (for example, an enforcement action by IOM against a Shareholder or its affiliates), the nominated directors of the relevant Shareholder are required to recuse themselves from that matter.
5 Structure of the RE Boards	<ul style="list-style-type: none"> – Notwithstanding that IOM has the legal power (as sole shareholder of each of ILFML and IWFML) to appoint and remove all directors on the boards of those entities, the parties have agreed that: <ul style="list-style-type: none"> – a majority of directors of ILFML from time to time will be independent directors (being ‘external directors’ within the meaning of section 601JA(2) of the Corporations Act); – IOM may exercise its rights to appoint up to two directors to the RE Boards but only if those executive directors do not represent a majority of the RE Boards; – Each responsible entity board will be solely responsible for the setting of strategy and the interests of their respective funds; – The Chairperson of ILFML and IWFML will be each responsible for the removal or appointment of independent directors to their respective boards (subject to ratification by the unitholders of IOF or ICPF (as applicable)). IOM will respect this governance arrangement and do all acts necessary to implement it; and – Notwithstanding the above, each Shareholder must, and must exercise its rights as a Shareholder to, ensure that for so long as “Newco” (being the new stapled entity to the current IOF staple) is stapled to IOF, the board of ILFML will comprise the same individuals as those appointed to the board of Newco.
6 Shareholder Reserved Matters	<p>In addition to any shareholder approval that may be required under applicable laws, certain matters will require unanimous shareholder approval, including:</p> <ul style="list-style-type: none"> – adopting the budget and business plan of IOM; – amendments to existing ICPF and IOF fee arrangements; – entering into related party or unusual transactions; – any new funds or mandates; – sale of IOM (subject to pre-emptive and tag along provisions); – appointment of the Chair and IOM CEO; – approving new material agreements; – amending the dividend policy of IOM; – payment of dividends; – amending IOM’s constitution; and – raising capital.
7 Deadlock	<ul style="list-style-type: none"> – If the Shareholders are unable to reach agreement in respect of a Shareholder Reserved Matter, the matter will be escalated to the chair (or equivalent) of the ultimate holding company of each Shareholder for negotiation (each such representative to act in good faith). – Failing resolution by negotiation, the status quo will prevail subject to certain limited carve-outs in respect of the business plan.

SUMMARY OF MATERIAL CONTRACTS

ANNEXURE D

DISPOSALS	
8 Disposal of shares	<p>Share disposals will not be permitted unless:</p> <ul style="list-style-type: none"> – the other shareholder agrees otherwise in writing; – the disposal is to a wholly-owned subsidiary of the transferor shareholder (who adopts all agreements and arrangements); or – the disposing shareholder complies with a customary pre-emptive rights regime (which includes tag along rights in favour of the other shareholder).
9 Call option trigger events	<p>The occurrence of the following events in relation to a shareholder (Changing Shareholder) trigger a call option in favour of the other shareholder (Non-Changing Shareholder), to purchase 100% of the shares in IOM held by the Changing Shareholder:</p> <ul style="list-style-type: none"> – (Change of control) a change of control of the Shareholder (including a change in beneficial ownership), any entity that controls the Shareholder or removal of the RE of any entity whose securities are stapled to shares or securities of any entity that controls the Shareholder; – (Winding up) unitholders of the fund to which a Shareholder is stapled resolve to wind up or otherwise dissolve the fund; – (Minimum size) the gross asset value (excluding cash) of a fund to/by which a Shareholder is stapled or owned falls below \$1.5 billion; or – (IOF remaining listed) in the case of IOF, IOF ceasing to be listed or being suspended from being listed for more than 60 consecutive days.
10 Call Option	<p>If in relation to a Changing Shareholder, any of the call option trigger events listed in section 9 above occur, then for a period of three months commencing on the occurrence of a call option trigger event (Negotiation Period), the Changing Shareholder and the other Non-Changing Shareholder will negotiate in good faith a basis on which either:</p> <ul style="list-style-type: none"> – the joint venture will continue; or – the terms upon which either the Changing Shareholder or the Non-Changing Shareholder will agree to sell their IOM Shares to the other Shareholder. <p>During the first month of the Negotiation Period:</p> <ul style="list-style-type: none"> – the Shareholders must use all reasonable endeavours to determine: <ul style="list-style-type: none"> – the Fair Market Value; and – the Estimated Working Capital, (each as defined in the Share Purchase Agreement); and – the board of IOM must procure that Management prepare the Scale Down Costs (being a best estimate of all actual costs associated with adjusting the scale and resources of the Platform to reflect the reduced value of assets under management following the cessation of the Changing Shareholder requiring the services of IOM), <p>which together are used to determine the Final Estimated Buy Out Price according to the formula below. The Fair Market Value will be determined on the assumption that the Changing Shareholder and its related parties no longer require the services of IOM except that, if, the call option is triggered as a result of a fund's gross asset value (excluding cash) falling below \$1.5 billion, Fair Market Value will be determined on the assumption that the Changing Shareholder continues to require the services of IOM for the assets owned).</p> <p>The Final Estimated Buy Out Price, is an amount equal to:</p> <ul style="list-style-type: none"> – 50% of the Fair Market Value; plus – 50% of Estimated Working Capital; less – the Scale Down Costs (as defined in the Share Purchase Agreement), <p>provided that the Final Estimated Buy Out Price cannot be less than zero.</p> <p>If, within the first month of the Negotiation Period, the Shareholders are unable to agree the value of the Fair Market Value or Estimated Working Capital or disagree with the calculation of the Scale Down Costs, they will be determined by an independent valuer.</p> <p>If, by the end of the Negotiation Period, the Shareholders are unable to agree either:</p> <ul style="list-style-type: none"> – a basis on which the joint venture continues; or – the terms upon which either the Changing Shareholder or the Non-Changing Shareholder will agree to sell their IOM Shares to the other Shareholder, <p>the Changing Shareholder grants to the Non-Changing Shareholder a call option over the Changing Shareholder's shares in IOM for the Final Estimated Buy Out Price. The Non-Changing Shareholder has a 20 Business Day period in which it may elect to exercise the option.</p>

SUMMARY OF MATERIAL CONTRACTS

ANNEXURE D

10 Call Option continued	<p>If the option is exercised:</p> <ul style="list-style-type: none"> – the Non-Changing Shareholder must use all reasonable endeavours to arrange the transfer of data and records to the Changing Shareholder and provide other assistance including access to certain software used by the Non-Changing Shareholder as if a facilitation fee had been paid and the transaction was being recommended; and – the Final Estimated Buy Out Price will be subject to a customary post completion adjustment in respect of working capital.
11 Default	<p>A Shareholder becomes a Defaulting Shareholder, and it is an Event of Default if:</p> <ul style="list-style-type: none"> – that Shareholder breaches a material obligation and such breach is not remedied within a specified cure period; – that Shareholder is prohibited from being a Shareholder in IOM by a change in any law; or – an insolvency event occurs in relation to that Shareholder. <p>If an Event of Default occurs, the Final Estimated Buy Out Price in respect of the Defaulting Shareholder's shares must be agreed by the Shareholders or determined in accordance with principles set out above in relation to the Call Option. The Non-Defaulting Shareholder has the automatic right to acquire the Defaulting Shareholder's shares for an amount equal to 90% of the Final Estimated Buy Out Price (as agreed or determined).</p>
12 Access to product (pipeline rights)	<p>The objectives of the Shareholders include the facilitation of cooperation between ICPF, ICPF Fund and IOF in relation to the potential acquisition of assets, pursuing co-ownership of assets when aligned with the respective fund strategies and harmonising new and existing co-ownership arrangements.</p>
OPERATIONS	
13 Employees	<ul style="list-style-type: none"> – All employees will be employed by IOM or a Subsidiary of IOM and will ultimately report to the CEO of IOM. – ICPF, ICPF Fund and IOF will not themselves employ any person.
14 Funding	<ul style="list-style-type: none"> – It is intended that IOM will be operated on the basis that it will be self-funding and will not require further capital contributions in the ordinary course. – IOM can only obtain further funding (debt or equity) with the consent of both Shareholders. – Following the funding of working capital required by the Management Platform in the ordinary course of business, it is intended that all profits of IOM will be distributed to the Shareholders on a regular basis throughout the year.
15 Confidentiality	<p>In order to ensure the protection of the commercially sensitive information of each of IOF, ICPF and ICPF Fund:</p> <ul style="list-style-type: none"> – employees will be required to comply with appropriate governance and information-sharing protocols in relation to the commercially sensitive information of IOF, ICPF and ICPF Fund – information barriers will be in place with respect to commercially sensitive information regarding a shareholder's business that is provided to the Board of IOM – the provision of commercially sensitive information of a fund or mandate managed by IOM (including IOF, ICPF and ICPF Fund) to the board will be subject to certain limitations.
16 Key staff appointments	<ul style="list-style-type: none"> – Appointment of the IOM CEO is a Shareholder Reserved Matter. – All other key management appointments will be delegated to the CEO. – The directors nominated by IOF Shareholder will have veto rights in relation to the appointment of the IOM key staff who will be dedicated to IOF. – The directors nominated by ICPF Shareholder will have veto rights in relation to the appointment of the IOM key staff who will be dedicated to ICPF and ICPF Fund.
SHARE PURCHASE AGREEMENT	
1 Parties	<p>IOMH Newco Acquirer (IOF Shareholder)</p>
2 Sale and purchase	<p>IOMH agrees to sell to the IOF Shareholder, and the IOF Shareholder agrees to buy from IOMH, 50% of the total issued share capital of IOM for the Purchase Price.</p> <p>Title to and property in the IOM shares:</p> <ul style="list-style-type: none"> – until completion of the Acquisition (Completion), remains solely with IOMH; and – passes to the IOF Shareholder with effect from Completion.

SUMMARY OF MATERIAL CONTRACTS

ANNEXURE D

3 Purchase Price	<p>The acquisition price for the Sale Shares is \$45,000,000.00 (Purchase Price).</p> <p>The Purchase Price:</p> <ul style="list-style-type: none"> – is exclusive of GST; – has been agreed on a cash and debt free basis; and – will be adjusted in accordance with section 6 below.
4 Conditions precedent	<p>The agreement is subject to a number of conditions precedent:</p> <ul style="list-style-type: none"> – IOF Unitholders approve the Proposed Transaction, as contemplated in the Notice of Meeting; – the counterparties to certain investment management agreements have not terminated or threatened to terminate those agreements; – the shares in Newco are stapled to the existing IOF securities such that Newco becomes a stapled entity forming part of IOF; – IOMH has provided evidence satisfactory to Newco Acquirer (acting reasonably) that IOM and its subsidiaries have exited IOMH's consolidated group and GST group; – no governmental agency has taken any action to restrain or prohibit Completion; – IOM has issued a further share to IOMH such that on Completion the number of ordinary shares in the issued capital of IOM is an even number; – IOM has entered into a bank guarantee facility with a third party financier under which the financier will provide bank guarantees in connection with the Australian Financial Services Licences of IWFML and ILFML; and – restructuring steps in connection with the transfer of Investa Investment Management Pty Ltd from IOM to IOMH as part of preparing for Completion have been completed. <p>The agreement will terminate if the conditions precedent are not satisfied or waived on or before 30 June 2017 or any later date as the parties may agree in writing.</p>
5 Indebtedness	<p>Intercompany loans (if any) between IOM and its wholly owned subsidiaries on Completion will not be adjusted for (nor included in the Working Capital calculation) as part of the debt free basis of the transaction.</p>
6 Adjustments	<p>The Purchase Price is subject to customary adjustments, including an adjustment for 50% of the actual working capital of IOM and its subsidiaries (IOM Group) on a consolidated basis (Working Capital), by way of a customary working capital adjustment mechanism involving completion accounts. The parties have also agreed that any fees arising from 20 Bridge Street will be for the benefit of IOMH.</p> <p>Disputes in relation to adjustments are subject to a dispute resolution process. If the parties are unable to agree the disputed matter, it will be referred to an independent expert for determination.</p>
7 Vendor representations and warranties	<p>IOMH provides customary representations and warranties to the IOF Shareholder including in relation to title, power and authority, financial position and conduct of the business, compliance with law, litigation, tax, employment and intellectual property.</p>
8 Limitations on claims	<p>IOMH's maximum aggregate liability for all claims under the agreement is limited to an amount equal to 100% of the Purchase Price. The agreement includes other customary limitations on the IOF Shareholder's ability to make claims against IOMH under the agreement, including certain exclusions and monetary thresholds and time limits on claims.</p>
9 Termination events	<p>The agreement contains customary termination provisions, including in circumstances where one or both parties are unable to satisfy a condition precedent or there is a breach of certain warranties prior to completion.</p>
10 Governing Law	<p>The agreement is governed by the laws of New South Wales.</p>
STAPLING DEED	
1 Parties	<p>ILFML as responsible entity of the AJO Fund ILFML as responsible entity of the PCP Trust Newco</p>
2 Purpose of agreement	<p>To govern the relationship between Newco and ILFML in its capacity as responsible entity of AJO and as responsible entity of PCP.</p>
3 Commencement date	<p>The Stapling Deed will take effect on and from the date on and time at which the AJO Units, PCP Units and Newco Shares are stapled.</p>

SUMMARY OF MATERIAL CONTRACTS

ANNEXURE D

4 Dealing in stapled securities	The parties must not do anything (including offering securities for subscription or sale, disposing of securities, or registering any transfer of any AJO Unit, PCP Unit or Newco Share) which would result in an AJO Unit, PCP Unit or Newco Share no longer being stapled as a New Stapled Security. The parties must also use reasonable endeavours to ensure that each New Stapled Security which is listed for quotation on the ASX continues to be listed and quoted as a New Stapled Security.
5 Allocation of price	The parties must agree what portion of the issue price of a New Stapled Security is to represent the issue price of the individual securities in each Stapled Entity.
6 Information sharing	While Stapling continues, each party must, in certain circumstances, make available to each Stapled Entity: <ul style="list-style-type: none"> – such information as may be necessary or desirable to fulfil their respective obligations under law, the Listing Rules or any other document, deed or arrangement relating to the New Stapled Securities, or the affairs of each stapled entity and their respective controlled entities; – all information and provide all assistance in relation to the preparation of the financial accounts; and – all information and provide all assistance to enable the provision of all reports, circulars or other information required by law or the Listing Rules, or which may be reasonably desirable to provide to New Stapled Securityholders.
7 Best interests of New Stapled Securityholders as a whole	While Stapling applies, Newco and ILFML as responsible entity of AJO and PCP may, subject to the Corporations Act, have regard to the interests of the New Stapled Securityholders as a whole and not only to the interests of the New Stapled Securityholders in a particular Stapled Entity.
8 Unstapling and termination	The New Stapled Securities may only be unstapled (and the Stapling Deed terminated) where: <ul style="list-style-type: none"> – the New Stapled Securityholders agree to do so by special resolution; – Stapling becomes unlawful; – any of the Stapled Entities becomes insolvent, commences winding up or terminates, and ILFML (as responsible entity of AJO or as responsible entity of PCP Trust) or the Newco board determines that Stapling should cease; or – ILFML (as responsible entity of AJO or as responsible entity of PCP) or the Newco board determines that Stapling is materially adverse to the interests of holders of AJO Units, PCP Units or Newco Shares, respectively.

MANAGEMENT DEED (EXISTING)

1 Parties	ILFML (in its capacity as responsible entity of AJO Fund and PCP Trust) and IOM
2 Services	ILFML appoints IOM to provide management, investment management and trust administration services in respect of IOF (the Services). ILFML may from time to time appoint IOM or a related body corporate to provide additional services, such as project management services, property management services and asset development services which are not covered by the deed.
3 Duties	In providing the Services, IOM must: <ul style="list-style-type: none"> – act honestly, efficiently and fairly; – exercise all due diligence, professional care, skill and vigilance (to a standard expected of competent professional services providers experienced in providing services of the kind provided); and – have available adequate resources to provide the Services and maintain the competence to provide the Services.
4 Fees	Services are provided by IOM at cost and ILFML indemnifies IOM for costs properly incurred and for any bona fide investment decision made by IOM, its officers or agents.
5 Termination events	The deed terminates on the earlier of the date of completion of any winding up of IOF and the date ILFML ceases to be the responsible entity of AJO Fund and PCP Trust and is not replaced as responsible entity by a member of the Investa Property Group. IOM has the right to terminate the deed at any time by giving ILFML 90 days written notice. The deed also contains standard termination rights in favour of both parties, including in respect of unremedied or unremediable material breach and in circumstances where the other party goes into liquidation or receivership.
6 Limitations on claims	The deed contains a customary trustee limitation of liability provision.
7 Governing Law	The deed is governed by the laws of New South Wales.

CORPORATE DIRECTORY

INVESTA OFFICE FUND

Armstrong Jones Office Fund

ARSN 090 242 229

Prime Credit Property Trust

ARSN 089 849 196

RESPONSIBLE ENTITY

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