

**Date of Product
Disclosure Statement**

23 May 2016

Issuer

Australian Unity Investment
Real Estate Limited
ABN 86 606 414 368
AFSL 477 434



241 Adelaide St, Brisbane, QLD

Joint Lead Managers
and Underwriters

CREDIT SUISSE



**Australian
Unity** 

AUSTRALIAN UNITY OFFICE FUND

Product Disclosure Statement

In relation to an offer of up to 77.5 million Units in the Fund
Australian Unity Office Property Fund (to be renamed the Australian Unity Office Fund) (ARSN 113 369 627) ('Fund')

Important Information

This information is important and requires your attention.

It is important that you read this document carefully and in its entirety prior to making an investment decision with respect to the Offer. In particular you should pay careful consideration to the risk factors outlined in Section 9 and the tax implications in Section 12 of this document as they relate to your personal investment objectives, financial circumstances and needs. The potential tax effects of the Offer will vary between investors. AUIRE strongly recommends that Unitholders read this PDS in full and obtain financial advice from a licensed financial adviser or other appropriately qualified professional adviser before acting on the information contained in this PDS.

Issuer

This Product Disclosure Statement ('PDS') is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368, AFS Licence No. 477 434, as the proposed Responsible Entity ('AUIRE' or 'Issuer') of the Australian Unity Office Property Fund (to be renamed the Australian Unity Office Fund) (ARSN 113 369 627) ('Fund'). AUIRE is a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888) ('Australian Unity'). This document is a product disclosure statement for the purposes of Part 7.9 of the Corporations Act and has been issued by AUIRE in respect of the Offer.

AUFML not the Issuer

The current Responsible Entity of the Fund, Australian Unity Funds Management Limited (ABN 60 071 497 115) AFS License No. 234454 ('AUFML') is a wholly owned subsidiary of Australian Unity. AUFML is not the issuer of this PDS. Neither Australian Unity nor AUFML (both in its personal capacity and in its capacity as responsible entity of the Fund) nor any of their directors or officers take any responsibility for the contents, accuracy or completeness of this PDS or the merits of the investment to which this PDS relates.

This PDS has been prepared by the Issuer in connection with the Offer. The PDS has not been prepared for any other purpose, including the resolutions to be considered by Existing Investors in the Fund at the Unitholder Meeting. Existing Investors in the Fund will receive a notice of meeting and explanatory memorandum ('Notice of Meeting') from AUFML, in its capacity as the current Responsible Entity of the Fund, on or around the date of this PDS. Existing Investors should read the Notice of Meeting carefully in considering whether or not to vote in favour of the Resolutions to be considered at the Unitholder Meeting. The Offer is conditional on the Resolutions being successfully passed (amongst other conditions). If the Resolutions proposed to the Unitholder Meeting are not passed, or any of the other Conditions are not satisfied, the Offer will not proceed and any application monies received under this PDS will be returned to applicants in full (without interest).

Lodgement and Listing

This PDS is dated 23 May 2016 and was lodged with ASIC in accordance with section 1015B of the Corporations Act on that date. AUIRE has applied for the admission of the Fund to the Official List and the quotation of the Units on the ASX. Neither ASIC nor ASX takes any responsibility for the contents of this PDS or the merits of the investment to which this PDS relates.

Exposure Period

The Corporations Act prohibits AUIRE from processing Applications in the seven day period after the date of lodgement of this PDS (the 'Exposure Period'). This Exposure Period may be extended by ASIC by up to a further seven days. No preference will be conferred on Applications received during the Exposure Period.

Not investment advice

The information contained in this document is general information only. This document contains only general financial product advice but does not contain personal financial product advice and does not take into account your personal circumstances (including your individual objectives, financial situation, needs or circumstances). AUIRE strongly recommends that you read this PDS in full and obtain financial advice from a licensed financial adviser or other appropriately qualified professional adviser before acting on the information contained in this PDS.

There are references to past performance in this document. Past performance is no guarantee of future performance. In considering whether to invest in the Fund, you should, in particular, consider the risks that could affect the financial performance of the Fund. None of AUIRE or any other subsidiary of Australian Unity (including in their capacity as Responsible Entity of the Fund) in any way guarantees the performance of the Fund.

AUIRE recommends that before making a decision whether to invest in the Fund, you consult your financial adviser, accountant or other professional adviser.

No cooling-off rights

Cooling-off rights do not apply to an investment in the Units pursuant to the Offer. This means that, in most circumstances, you will be unable to withdraw your Application once it has been accepted.

Details of the rights and liabilities attached to each Unit are set out in the Constitution of the Fund (summarised at Section 13.1), a copy of which will be made available for inspection, free of charge at the registered office of AUIRE during normal trading hours.

Rounding

Rounding of the figures provided in this document may result in some discrepancies between the sum of components and the totals outlined within this document including in the tables and percentage calculations.

Electronic PDS

An electronic copy of this PDS may be viewed online by Australia investors at www.australianunityofficefund.com.au during the Offer Period. If you access this PDS electronically please ensure that you download and read this PDS in its entirety. The Offer to which this PDS relates is available to persons receiving this PDS (electronically or otherwise) in Australia only. A paper form of this PDS can be obtained, free of charge, during the Offer Period by contacting Investor Services on 1300 721 637 (toll free within Australia) or +61 2 8016 2890 (outside Australia) between 8:30am and 5:30pm (Melbourne time) Monday to Friday (during the Offer Period).

Applications for Units in the Fund will only be considered if applied for on an Application Form (refer to Section 10 for further information).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it

is accompanied by this PDS in its paper form or the complete and unaltered electronic form.

Foreign jurisdictions

This PDS has been prepared to comply with the requirements of the laws of Australia. No Units are being offered to any person whose registered address is outside of Australia unless AUIRE is satisfied in its absolute discretion that it would be lawful to make such an offer. The distribution of this PDS in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this PDS should seek their own advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This document can only be used by investors receiving it (electronically or otherwise) in Australia. No investments will be accepted on the basis of this document once it is replaced with a later PDS.

Updated formation

Information regarding the Offer may need to be updated from time to time. Any updated information about the Offer that is considered not materially adverse to investors will be made available at the Fund's website at www.australianunityofficefund.com.au, and AUIRE will provide a copy of the updated information free of charge to any eligible investor who requests a copy by contacting Investor Services on 1300 721 637 (toll free within Australia) or +61 2 8016 2890 (outside Australia) between 8:30am and 5:30pm (Melbourne time) Monday to Friday (during the Offer Period).

In accordance with its obligations under the Corporations Act, AUIRE may issue a supplementary product disclosure statement to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

Variation of the Offer

At any time prior to the allocation of Units contemplated in this PDS, AUIRE reserves the right in its absolute discretion and without liability, to vary the Offer or its procedures or to postpone or cancel the Offer. To the extent that any such variation of the Offer encompasses material changes to the Offer or its procedures, AUIRE will use reasonable endeavors to provide notice of those changes to the extent reasonably possible.

Currency and financial data

All amounts expressed in the PDS are in Australian dollars unless stated otherwise, and financial data is presented as at the date stated.

Independent valuations

The PDS contains information regarding the independent valuations of the Properties by qualified independent valuers. Valuations are an opinion of a fair price payable by a willing buyer, not a guarantee of current or future market value. By necessity, valuations require the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser or another valuer.

The purpose of the valuation is to establish price at which the Property might reasonably be expected to be

sold in its present state, subject to comparable sales and existing tenancies assuming:

- a willing, but not anxious, buyer and seller;
- a reasonable period within which to negotiate the sale, having regard to the nature and situation of the Property and the state of the market for property of the same kind;
- that the Property will be reasonably exposed to the market;
- that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the Property being valued;
- that the Fund has sufficient resources to allow a reasonable period for the exposure of the Property for sale; and
- that the Fund has sufficient resources to negotiate an agreement for the sale of the Property.

Property values can change substantially, even over short periods of time, and an independent valuer's opinion of value could differ significantly if the date of valuation were to change. A high degree of volatility in the market may lead to fluctuations in values over a short period of time.

Forward-looking statements

This PDS contains both historical information and forward looking statements which are made as at the date of this PDS. Forward looking statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements.

The forward looking statements involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, AUIRE and its officers, employees, agents or associates. All forward looking statements in this PDS reflect the reasonable and current expectations of AUIRE and its directors concerning future results and events as at the date of this PDS. Subject to the Corporations Act and any other applicable law, each of AUIRE, its respective Directors, officers, employees and advisers disclaim any duty to disseminate after the date of this PDS any updates or revisions to any such statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

Preparation of these forward looking statements was undertaken with due care and attention. However these forward looking statements and the financial performance of the Fund are subject to various and unknown risks which may be beyond the control of AUIRE and the Investment Manager. As a result, the Fund's actual results and earnings following implementation of the Transaction as set out in this PDS may differ significantly from those that are indicated in this PDS.

Various business risks could affect future results of the Fund following implementation of the Transaction set out in this PDS, causing results to differ from those which are expressed, implied or projected in any forward looking statements. Some of these risks have been set out in Section 9 of this PDS. No assurance can be provided that actual performance will mirror the guidance provided. Other than as required by law, none of AUIRE, its respective Directors, officers, employees or

advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this PDS will actually occur. You are cautioned not to place undue reliance on those statements.

In addition, unforeseen or unpredictable events also could have material adverse effects on future results of the Fund following implementation of the Transaction.

Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

Zenith disclaimer

The Professional Planner | Zenith Fund Awards are determined using proprietary methodologies. Fund Awards were issued in October 2013 and October 2014 and are solely statements of opinion and do not represent recommendations to purchase, hold, or sell any securities or make any other investment decisions. Ratings are subject to change.

Underwriting agreement

Credit Suisse (Australia) Limited, National Australia Bank Limited and UBS AG, Australia Branch have been appointed by AUIRE as Joint Lead Managers and Underwriters to the Offer, subject to certain terms and conditions stipulated in the Underwriting Agreement.

The Underwriting Agreement sets out a number of circumstances where the Joint Lead Managers may terminate the agreement and their obligations.

For further information on the terms and conditions of the Underwriting Agreement you should refer to Section 13.3 of this PDS.

Photographs, diagrams and artist's renderings

Photographs, diagrams and artist's renderings contained in this PDS that do not have accompanying descriptions are intended for illustrative purposes only. They should not be interpreted to mean an endorsement of this PDS or its contents by any person shown in these images. Furthermore, assets not accompanied by a description should not be interpreted as being owned by the Fund.

Diagrams used in this PDS are also intended for illustrative purposes only and may not be drawn to scale.

Defined terms

Capitalised terms used in this PDS have the meaning given to them in the Glossary, as set out in Section 15.

Disclaimer

No person is authorised to give any information, or to make any representation in connection with the Offer that is not contained in this PDS.

Any information or representation that is not contained in this PDS may not be relied on as having been authorised by AUIRE in connection with the Offer. Except as required by law, and only to the extent so required, neither AUIRE, nor any other person, warrants or guarantees the future performance of the Fund, the repayment of capital, or any return on any investment made pursuant to this information.

The Joint Lead Managers have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this PDS and does not make or purport to make any statement in this PDS and there is no statement in this PDS which is based on any statement by the Joint Lead Managers. The Joint Lead Managers and their affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this PDS and make no representation or warranty as to

the currency, accuracy, reliability or completeness of this PDS.

Privacy

By filling out an Application Form to apply for Units, you are providing personal information to AUIRE through the Registry. AUIRE and the Registry on its behalf may collect, hold and use that personal information in order to process your Application. AUIRE may also collect, hold and use that personal information in order to service your needs as a Unitholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, AUIRE and the Registry may not be able to process or accept your Application.

Your personal information may also be provided to AUIRE's agents and service providers on the basis that they deal with such information in accordance with their respective privacy policies. These agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- The Joint Lead Managers in order to assess your Application;
- Printers and other companies for the purpose of preparation and distribution of statements and for handling mail; market research companies for the purpose of analysing the Fund's Unitholder base and for product development and planning; and
- Legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Units and for associated actions.

If an Applicant becomes a Unitholder, the Corporations Act requires AUIRE to include information about the Unitholder (including name, address and details of the Units held) in its public register of Unitholders. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in AUIRE's register of Unitholders must remain there even if that person ceases to be a Unitholder. Information contained in AUIRE's register of Unitholders is also used to facilitate Distribution payments, corporate communications (including financial results, annual reports and other information that AUIRE may wish to communicate to its Unitholders) and compliance with legal and regulatory requirements.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) AUIRE. You can request access to your personal information by writing to or telephoning the Registry at 1300 721 637. If any of your information is not correct or has changed, you may require it to be corrected.

By submitting an Application, you agree that AUIRE and the Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

Further questions

If you have any queries relating to aspects of this PDS please call your broker or Investor Services on 1300 721 637 (toll free within Australia) or +61 2 8016 2890 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday during the Broker Firm Offer.



241 Adelaide St, Brisbane, QLD

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Key Offer Information

Key Offer statistics¹

Offer Price per Unit ²	\$2.00
Units available under the Offer ^{3,4}	Up to 77.5 million
Proceeds from the Offer ⁵	Up to \$155.0 million
Number of Units on issue at the Allotment Date ⁶	Approximately 140.5 million
Market capitalisation upon Listing at the Offer Price ⁷	\$281.0 million
Forecast FY17 Funds from Operations ('FFO') Yield per Unit ⁸	8.2%
Annualised forecast 1H FY18 FFO Yield per Unit ⁹	8.6%
Forecast FY17 Distribution Yield per Unit ¹⁰	7.4%
Annualised forecast 1H FY18 Distribution Yield per Unit ¹¹	7.8%
Pro forma NTA per Unit at Allotment	\$1.96
Estimated Offer Price premium to NTA per Unit at Allotment	2.0%
Forecast tax deferred income component of Distribution (FY17)	86%
Forecast tax deferred income component of Distribution (1H FY18)	35%

Key Portfolio statistics

Number of Properties	8
Independent valuation as at 30 April 2016	\$391.1 million
Weighted average Capitalisation Rate ¹²	8.0%
Weighted average Passing Yield ¹³	8.1%
Net Lettable Area ('NLA')	97,645 sqm
Occupancy rate ¹⁴	96.5%
Weighted Average Lease Expiry ¹⁵	4.7 years

1 This information is based on the Fund's Pro Forma Balance Sheet and Forecast Financial Information, has been prepared in accordance with the Basis of preparation and presentation of financial information disclosed in Section 6.2 and is subject to risk, uncertainties and assumptions disclosed in Sections 6.5 and 9.

2 The Offer Price is the price per Unit following the Consolidation of Units held by the Existing Investors.

3 The number of Units available under the Offer is post Consolidation of the Units. See Section 10.4 for more details.

4 The number of Units to be issued will be up to 77.5 million, with the total number of Units to be determined dependent upon the number of Units which Existing Investors elect to withdraw under the Withdrawal Offer. See Section 10.5 for further details.

5 The proceeds to be raised under the Offer will be up to \$155.0 million, with the total proceeds to be determined dependent upon the number of Units which Existing Investors elect to withdraw under the Withdrawal Offer (the maximum size of the Withdrawal Offer is \$56.2 million).

6 Based on the Assumed Consolidation Ratio, the number of Units on issue at the Allotment Date will be approximately 140.5 million, with the total number of Units to be determined dependent upon the number of Units which Existing Investors elect to withdraw under the Withdrawal Offer, as well as the final Consolidation Ratio (which is not expected to be materially different from the Assumed Consolidation Ratio). See Section 10.4 for further details.

7 Based on the total assumed number of Units on issue at Allotment at the Offer Price on the basis of the Assumed Consolidation Ratio (which is not expected to be materially different from the actual Consolidation Ratio). If Units trade above or below the Offer Price the market capitalisation will be lower or higher.

8 Forecast FFO per Unit in the Forecast Period divided by the Offer Price, based on the assumed number of Units on issue at Allotment at the Offer Price and on the basis of the Assumed Consolidation Ratio (which is not expected to be materially different from the actual Consolidation Ratio). This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

9 Forecast FFO per Unit in the Forecast Period divided by the Offer Price, expressed as an annualised yield, based on the assumed number of Units on issue at Allotment at the Offer Price and on the basis of the Assumed Consolidation Ratio (which is not expected to be materially different from the actual Consolidation Ratio). This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

10 Forecast Distribution per Unit to be received by Unitholders in the Forecast Period divided by the Offer Price, based on the assumed number of Units on issue at Allotment at the Offer Price and on the basis of the Assumed Consolidation Ratio (which is not expected to be materially different from the actual Consolidation Ratio). This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

11 Forecast Distribution per Unit to be received by Unitholders in the Forecast Period divided by the Offer Price, expressed as an annualised yield, based on the assumed number of Units on issue at Allotment at the Offer Price and on the basis of the Assumed Consolidation Ratio (which is not expected to be materially different from the actual Consolidation Ratio). This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

12 As at 30 April 2016, weighted by independent valuation.

13 As at 30 April 2016, weighted by independent valuation.

14 As at 30 April 2016, by NLA.

15 As at 30 April 2016, by Gross Property Income.

Key Offer Information (continued)

Key dates

Institutional component of the Offer opens and closes	20 May 2016
PDS lodgement date	23 May 2016
Open of the Withdrawal Offer for Existing Investors	23 May 2016
Open of the Australian Unity Offer	31 May 2016
Open of the Broker Firm Offer	31 May 2016
Close of the Withdrawal Offer for Existing Investors	16 June 2016
Close of the Australian Unity Offer	16 June 2016
Close of the Broker Firm Offer	16 June 2016
Unitholder Meeting to approve the Resolutions	17 June 2016
IF THE RESOLUTIONS ARE APPROVED AT THE MEETING	
Supplemental Deed is executed amending the Fund's constitution	17 June 2016
Australian Unity Office Property Fund changes its name to Australian Unity Office Fund	
Proposed date that AUFML is to be replaced by AUIRE as Responsible Entity for Australian Unity Office Fund	
Unit Consolidation takes place	20 June 2016
Units commence trading on the ASX on a conditional and deferred settlement basis	
Settlement Date	21 June 2016
Allotment Date	22 June 2016
Completion of the Withdrawal Offer	
Units commence trading on the ASX on a deferred settlement basis	22 June 2016
Expected date of dispatch of holding statements	
Units commence trading on the ASX on a normal settlement basis	23 June 2016

AUIRE reserves the right, with the consent of the Joint Lead Managers, to vary the times and dates above including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens. No cooling-off rights apply to the Offer.

If the Resolutions are not approved at the Unitholder Meeting or the other Conditions are not satisfied, the Offer will not proceed and any Application Monies will be returned to Applicants in full, without interest.

How to invest

Applications for Units issued as part of the Offer can only be made by completing and lodging the Application Form. Instructions on how to apply for Units issued as part of the Offer are set out in Section 10 and on the back of the Application Form in Section 16.

Chairman's Letter

Dear Investor,

On behalf of the Board of Australian Unity Investment Real Estate Limited ('**AUIRE**'), I am pleased to offer you the opportunity to invest in the Australian Unity Office Fund, an Australian Real Estate Investment Trust ('**REIT**') which will offer investors exposure to a quality portfolio of office assets. The Fund's portfolio is diversified across metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra, and has been independently valued at \$391.1 million.¹

The Fund expects to pay quarterly Distributions to Unitholders and expects these Distributions to be between 80% and 100% of Funds From Operations ('**FFO**'). Based on the assumptions in this PDS, the Fund is forecasting a Distribution Yield for FY17 of 7.4%, growing to 7.8% annualised for 1HFY18.² Approximately 86% of the forecast Distributions for FY17 and 35% for 1HFY18 are expected to be tax deferred.

The Fund will offer investors:

- Exposure to an office Portfolio that is diversified by geography, tenants and lease expiry profile;
- Income returns underpinned by leases to Investment Grade tenants, with approximately 50%³ of the Portfolio leased to Telstra, the NSW Government and GE Capital Finance;
- A 4.7 year Weighted Average Lease Expiry ('**WALE**')⁴ and 96.5% Portfolio occupancy;⁵
- A capital structure with Gearing of approximately 30% at Allotment;
- The potential for Distribution and capital growth, with the majority of leases containing fixed rental reviews; and
- Access to the management and capabilities of the Australian Unity Group, which has an established, comprehensive real estate platform⁶ and a proven track record in funds and investment management.

AUIRE is a wholly owned subsidiary of Australian Unity. The Australian Unity Group is a national healthcare, financial services and retirement living organisation that provides services to around 1,000,000 Australians. In the financial services sector, Australian Unity has been helping Australians to thrive and build their wealth through strong investment for more than 20 years.

For the year to 30 June 2015, Australian Unity generated \$1.4 billion in annual revenue and as at 31 December 2015, it had approximately 300,000 members, approximately 6,500 employees⁷ and was Australia's 22nd largest private company. The Australian Unity Group includes an established investment manager with over \$9.6 billion of funds under management, administration and advice, including \$2 billion of real estate funds under management.⁸

Investors will benefit from the significant resources and capabilities of the Australian Unity Group. Australian Unity corporate entities and funds managed by Australian Unity subsidiaries are expected to have an investment in the Fund of up to 15% at Allotment.

AUIRE is seeking to raise up to \$155.0 million through the issue of up to 77.5 million Units⁹ at an Offer Price of \$2.00 per Unit (the '**Offer**'). The Offer comprises an Institutional Offer, a Broker Firm Offer, and an Australian Unity Offer to eligible Existing Investors and other investors invited to participate. An application will be made by AUIRE for the admission of the Fund to the Official List of ASX and the quotation of the Units on the ASX.

This PDS contains important and detailed information regarding the Offer. I urge you to read it carefully and in its entirety, including Section 9 which sets out the risks associated with an investment in the Fund, and Section 11 which sets out the fees and other costs associated with investing in the Fund. If you have any questions you should seek relevant professional advice before making an investment decision.

On behalf of the Board, I look forward to welcoming you as an investor in the Fund.



Peter Day, Independent Chairman

Australian Unity Investment Real Estate Limited

As the incoming Responsible Entity of the Australian Unity Office Fund

¹ As at 30 April 2016.

² This is based, in each case, on a Distribution payout ratio of 90%, the midpoint of the Distribution payout ratio. This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

³ As at 30 April 2016, by Gross Property Income.

⁴ As at 30 April 2016, by Gross Property Income. This WALE value excludes The Brisbane Club at 241 Adelaide St, Brisbane as the tenant at that Property has approximately 47 years remaining on their lease and this would distort the metric.

⁵ As at 30 April 2016, by NLA.

⁶ See Section 5.1.2 for more details.

⁷ This number includes the operations of the Home Care Service of NSW, transferred on 19 February 2016.

⁸ As at 31 December 2015.

⁹ The number of Units to be issued will be up to 77.5 million, with the total number of Units to be determined based on the number of Units which Existing Investors elect to withdraw under the Withdrawal Offer. See Section 10.5 for further details.



10 Valentine Ave, Parramatta, NSW



One Investment Overview

1. Investment Overview

Investment overview

Reference

Overview of Australian Unity Office Fund

What is the Australian Unity Office Fund?

The Australian Unity Office Fund will be an ASX-listed REIT that wholly owns¹ a diversified portfolio of eight office properties located across Australian metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra ('**Properties**' or '**Portfolio**'). The Portfolio is independently valued at \$391.1 million as at 30 April 2016, has an occupancy rate of 96.5%,² WALE of 4.7 years³ and a diversified income profile with approximately 91 tenants.

Based on the Offer Price, the Fund is expected to have a market capitalisation, upon Listing, of approximately \$281.0 million.⁴

If the Resolutions are passed, the Fund will be externally managed by its Responsible Entity, Australian Unity Investment Real Estate Limited ('**AUIRE**'), a wholly owned subsidiary of Australian Unity. The Australian Unity Group includes an established, well regarded, investment manager of commercial property with approximately \$2 billion real estate funds under management as at 31 December 2015.

The Fund offers investors:

- Exposure to an office Portfolio that is diversified by geography, tenants and lease expiry profile;
- Income returns underpinned by leases to Investment Grade tenants, with approximately 50% of the Portfolio leased to Telstra, the NSW Government and GE Capital Finance;⁵
- A capital structure with Gearing of approximately 30% at Allotment;
- Attractive FY17 FFO and Distribution Yields of 8.2% and 7.4%, respectively, growing to 8.6% and 7.8% annualised, respectively, for 1HFY18;⁶
- The potential for Distribution and capital growth, with the majority of leases containing fixed rental reviews; and
- Access to the management and capabilities of the Australian Unity Group that includes an established, comprehensive real estate platform (see Section 5.1.2) and a proven track record in funds and investment management.

What is the investment objective of the Fund?

The Fund's objective is to provide Unitholders with sustainable income returns via quarterly Distributions and the potential for capital growth over the long term by investing in a diversified portfolio of Australian office properties.

Section 2.

¹ Either the freehold or leasehold interest. See Section 3 for full details.

² As at 30 April 2016, by NLA.

³ As at 30 April 2016, by Gross Property Income.

⁴ Based on the total assumed number of Units on issue at Allotment at the Offer Price on the basis of the Assumed Consolidation Ratio (which is not expected to be materially different from the Assumed Consolidation Ratio). If Units trade above or below the Offer Price the market capitalisation will be lower or higher.

⁵ As at 30 April 2016, by Gross Property Income.

⁶ This is based, in each case, on a Distribution payout ratio of 90%, the midpoint of the Distribution payout ratio. This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

1. Investment Overview (continued)

Investment overview		Reference
What is the Fund's strategy?	<ul style="list-style-type: none"> • Focus predominantly on owning Australian office properties in metropolitan and CBD markets • Grow Net Property Income and enhance capital values through active asset management • Deliver investors sustainable and growing income returns via quarterly Distributions • Maintain a capital structure that has a target Gearing below 40% • Construct a portfolio that maintains diversification of geography, tenants and lease expiry profile through: <ul style="list-style-type: none"> – investments in existing Properties (that may include undertaking refurbishment and alterations to meet changing tenant requirements and where income risk can be suitably mitigated, undertaking redevelopment of a Property); and – potential future acquisitions <p>The Fund will review this strategy from time to time when it considers it in the best interests of Unitholders to do so.</p>	Section 2.3.
What is the Fund's policy for acquiring properties?	<p>The Fund will target office properties located in Australian metropolitan and CBD office markets that are either:</p> <ul style="list-style-type: none"> • Underpinned by a single or anchor tenant with a medium to long term WALE or a high probability of renewal; or • Multi-tenanted properties where no single tenant represents more than approximately 30% of the property's income. <p>On an ongoing basis the Fund will actively assess on and off market opportunities to acquire these types of properties. No acquisition opportunity is currently being assessed.</p>	Section 2.4.
What is the Fund's policy for divesting properties?	<p>The Fund will consider the sale of a property when it no longer meets the Fund's objectives and strategy, or when incremental value can be obtained for the Fund by disposal. However, there is no present intention to reduce the size of the Portfolio.</p>	Section 2.4.
Will the Fund take on development risk?	<ul style="list-style-type: none"> • The Fund will not undertake speculative development • The Fund may undertake development in certain circumstances when income risk can be substantially mitigated • The Fund may develop or redevelop existing Properties for continuing commercial use to maximise returns to Unitholders • The Fund may seek to enhance the value of its Properties, for example, by obtaining development approval for a higher and better use prior to disposal 	Section 9.2.6.
Will the Fund invest in properties overseas?	No, the Fund is an Australia only focused fund.	Section 2.

1. Investment Overview (continued)

Investment overview	Reference
Benefits and risks	
What are the benefits of investing in the Fund?	<p>An office Portfolio that is diversified by geography, tenants and lease expiry profile</p> <ul style="list-style-type: none"> A Portfolio of scale comprising eight office¹ Properties independently valued at \$391.1 million,² located in metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra Approximately 50% of the Portfolio³ is leased to Investment Grade tenants; currently Telstra (30%), the NSW Government (15%) and GE Capital Finance (8%), on leases in excess of five years Portfolio value below replacement cost 96.5% occupancy⁴ and no rental guarantees WALE of 4.7 years⁵ with no individual lease expiry in the next three years of more than 5% of income <p>Simple structure with a focused Fund strategy</p> <ul style="list-style-type: none"> The Fund currently holds 100% ownership interest in each Property within the Portfolio⁶ Focused predominantly on owning Australian office properties Simple base management fee structure with no ongoing performance fees⁷ Net Operating Income growth underpinned by annual fixed rental increases of approximately 3.5% across over 90% of leases Balanced investment strategy <ul style="list-style-type: none"> Properties with a single or dominant tenant, with Net Operating Income underpinning Distributions of the Fund (68% of the Portfolio by independent valuation) Multi-tenant properties, where no single tenant represents more than approximately 30% of the Property's income, providing regular and ongoing opportunity to capture market rental growth (32% of the Portfolio by independent valuation) <p>Key financial metrics and capital structure</p> <ul style="list-style-type: none"> Forecast FFO Yield of 8.2% for FY17 and growing to 8.6% annualised for 1H FY18⁸ Forecast FY17 Distribution Yield of 7.4% and growing to 7.8% annualised for 1H FY18⁹ Payout ratio of between 80% and 100% of FFO Offer Price of \$2.00 per Unit, which represents an expected premium to NTA of 2.0% as at Allotment Upon Allotment, Fund Gearing of approximately 30% with target Gearing below 40%

¹ All of the Properties are office properties other than 2 Eden Park Drive, North Ryde and 5 Eden Park Drive, North Ryde which contains both office and industrial components. The majority of income is derived from the office component of both Properties. See Sections 3.2.1 and 3.2.2 for details.

² At 30 April 2016.

³ As at 30 April 2016, by Gross Property Income.

⁴ As at 30 April 2016, by NLA.

⁵ As at 30 April 2016, by Gross Property Income.

⁶ Either the freehold or leasehold interest. See Section 3 for full details.

⁷ AUFML, as the outgoing Responsible Entity will be entitled to a one-off performance fee under the Constitution which is forecast to be \$5.0 million and will be paid immediately prior to the change of Responsible Entity, subject to the Existing Investors passing the Resolutions. See Section 6.8.5 for further details.

⁸ This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

⁹ This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

1. Investment Overview (continued)

Investment overview	Reference
<p>What are the benefits of investing in the Fund? (continued)</p>	<p>A well-resourced and experienced manager</p> <ul style="list-style-type: none"> The Australian Unity Group includes a comprehensive real estate platform (see Section 5.1.2) with a proven track record. Entities within the Australian Unity Group will manage the Australian Unity Office Fund Dedicated management team, the majority of which has worked together on the Fund for more than seven years Australian Unity Real Estate Investment was awarded Direct Property Fund Manager of the Year from Professional Planner / Zenith Investment Partners in 2013 and was a finalist in 2014 <p>Experienced Board with independent Chairman</p> <ul style="list-style-type: none"> The Board will be led by an independent Chairman The Board has extensive experience with an average of over 20 years of corporate and industry experience
<p>What are the key risks associated with an investment in the Fund?</p>	<p>There are a number of risks associated with an investment in the Fund which are set out in more detail in Section 9. Key risks specific to an investment in the Fund include:</p> <p>Material or key tenancies</p> <ul style="list-style-type: none"> Distributions made by the Fund are largely dependent on the rents received from tenants across the Portfolio. A number of the Fund's Properties have key tenants; the Fund's largest tenant (by income) Telstra comprises approximately 30% of the Gross Property Income of the Fund.¹ If the tenant defaults or leaves, particularly if that tenancy cannot be re-let on equivalent terms or at all, then the income and WALE of the Fund may be negatively affected. This is particularly a risk where it is a key tenant whose rent represents a significant proportion of the Fund's Net Operating Income. Any negative impact on Net Operating Income has the potential to impact on Distributions made by the Fund and the NTA of the Fund. <p>Funding and refinancing risk</p> <ul style="list-style-type: none"> In order to fund new acquisitions, capital expenditure or other material capital events, the Fund intends to rely on funding options including equity, debt or a combination of both. An inability to attract funding may adversely affect the Fund's ability to make future acquisitions or to meet future capital expenditure needs that in turn could adversely affect the growth prospects of the Fund or even the Fund's ability to maintain its Properties to the requisite standard (which in turn may affect its ability to retain existing, or to attract new tenants). An inability to refinance any debt (either on acceptable terms or at all), or any increase in the cost of such funding, may also adversely impact performance and financial position of the Fund. <p>Re-leasing and vacancy risk</p> <ul style="list-style-type: none"> The Portfolio's leases come up for renewal on a periodic basis and there is a risk that if the Fund is unable to negotiate a lease extension with an existing tenant at the end of their lease, or replace a tenant on expiry with leases to new tenants on at least equivalent rental rates and other key terms, there may be a significant impact on the distributable income of the Fund and a negative impact on the valuations for that Property. It will also reduce WALE, which may affect marketability of the Property and the Units, and will affect the forecasts of the Fund. The Fund could also incur additional costs associated with re-leasing any properties.

¹ As at 30 April 2016, by Gross Property Income. . Telstra has exercised its right to hand back two floors (approximately 9% of the Gross Property Income of the Property) under the terms of its lease at 30 Pirie Street, Adelaide in February 2017. This represents approximately 3% of the Gross Property Income of the Fund.

1. Investment Overview (continued)

Investment overview

Reference

What are the key risks associated with an investment in the Fund? (continued)

Property valuation risk

- The Fund obtains an independent external valuation at least once in any 12 month period from the date of the last valuation and bases the fair value of the investment property on this valuation. However, the ongoing valuation and revaluation of a Property (or a new acquisition) is largely influenced by changes in the factors that affect overall property market performance.
- There is no guarantee that a Property will achieve a market or sale price equal to the current valuation, or that the valuation upon which the Fund purchases a Property can be achieved in a subsequent sale. A reduction in the value of any Property may adversely affect the value of Units in the Fund. It may also impact on the Fund's financing arrangements.

Sector concentration

- The Portfolio currently comprises, and the Fund intends to continue to invest in, office properties located in Australian metropolitan and CBD office markets. The performance of the Fund will largely depend on the performance of this specific sector, in the specific geographies where its Portfolio is located.

Contraction rights

- The tenants of 30 Pirie Street, Adelaide and 10 Valentine Avenue, Parramatta have the right under their respective leases to hand back part of the NLA covered by their leases, representing 3% and 6% of the Gross Property Income of the Fund (in February 2017 and from December 2019 respectively). Telstra has exercised this right at 30 Pirie Street, Adelaide. Future tenants may negotiate similar rights. There is a risk that these spaces cannot be re-let on equivalent terms or at all which may impact negatively on Distributions and Unit price of the Fund.

Tenant incentives

- The ability of the Fund to secure lease renewals or obtain replacement tenants may be influenced by any tenant incentives granted or required to be granted to attract and retain tenants. Incentives may result in material outlay or reduced actual income initially or over the term of a lease. The Fund may be unwilling to provide incentives required (due to market competition) to secure lease renewals or replacement leases and this may result in extended periods of vacancy for a Property which may impact adversely on existing tenant sentiment, Distributions and the Unit price of the Fund.

Properties held as leasehold interests

- The 241 Adelaide Street, Brisbane and 64 Northbourne Avenue, Canberra Properties (14% of the Portfolio by independent valuation) are not owned by the Fund but rather the Fund has a leasehold interest (in which a third party holds freehold title to the Property). The Fund may also purchase further assets in the future which are held under third party lease arrangements. Leasehold title is different from freehold title in a number of ways including that:
 - it relies solely on the existence of a lease;
 - there is no guarantee that such leases will be able to be renewed (at all, or on suitable terms); and
 - the leases are subject to certain termination rights.

These differences may impact adversely on the valuation of the relevant Properties and on the Fund's ability to maintain its leasehold interest in them and derive rent from those premises.

1. Investment Overview (continued)

Investment overview

Reference

Portfolio overview

What are the key metrics of the Portfolio?

Key summary Portfolio metrics

Number of Properties	8
Independent valuation (as at 30 April 2016)	\$391.1 million
Weighted average Capitalisation Rate ¹	8.0%
Weighted average Passing Yield ²	8.1%
Occupancy ³	96.5%
WALE ⁴	4.7 years
Net Lettable Area	97,645 sqm

Section 3.

What are the Fund's Properties?

Property	Valuation (\$m) ⁵	Capitalisation Rate ⁶	Passing Yield ⁷	NLA (sqm)	Valuation (\$psqm)	Occupancy ⁸	WALE (years) ⁹	Proportion of the Fund's income ¹⁰
30 Pirie St, Adelaide, SA	117.0	7.5%	8.3%	24,781	4,721	100.0%	6.3	30.0% ¹¹
10 Valentine Ave, Parramatta, NSW	69.5	8.5%	7.4%	15,995	4,345	100.0%	5.9	16.5%
5 Eden Park Drive, North Ryde, NSW	40.8	7.8%	8.3%	11,033	3,698	90.0%	1.4	9.2%
32 Phillip St, Parramatta, NSW	37.8	7.5%	7.7%	6,759	5,585	100.0%	7.2	8.4%
468 St Kilda Rd, Melbourne, VIC	43.5	7.5%	8.4%	11,186	3,889	97.8%	3.5	11.3%
241 Adelaide St, Brisbane, QLD	35.5	9.0%	9.2%	11,128	3,190	92.0%	2.5	12.2%
2 Eden Park Drive, North Ryde, NSW	28.7	8.3%	8.2%	10,345	2,774	95.9%	2.3	6.7%
64 Northbourne Ave, Canberra, ACT	18.3	9.3%	7.3%	6,419	2,851	87.7%	4.7	5.8%
Total/weighted averages	391.1	8.0%	8.1%	97,645	4,005	96.5%	4.7	100.0%

Section 3.

Six of the Properties are freehold interests and two are held as leasehold interests (241 Adelaide St, Brisbane, QLD and 64 Northbourne Ave, Canberra, ACT).

¹ As at 30 April 2016, weighted by independent valuation.

² As at 30 April 2016, weighted by independent valuation.

³ As at 30 April 2016, by NLA.

⁴ As at 30 April 2016, by Gross Property Income.

⁵ Independent valuation as at 30 April 2016.

⁶ As at 30 April 2016, weighted by independent valuation.

⁷ As at 30 April 2016, weighted by independent valuation.

⁸ As at 30 April 2016, by NLA.

⁹ As at 30 April 2016, by Gross Property Income.

¹⁰ As at 30 April 2016, by Gross Property Income.

¹¹ Telstra has exercised its right to hand back two floors (approximately 9% of the Gross Property Income of the Property) under the terms of its lease at 30 Pirie Street, Adelaide in February 2017. This represents approximately 3% of the Gross Property Income of the Fund.

1. Investment Overview (continued)

Investment overview		Reference										
Who are the top 5 tenants by Gross Property Income?	<table><tr><td>Telstra</td><td>30%</td></tr><tr><td>NSW State Government</td><td>15%</td></tr><tr><td>GE Capital Finance</td><td>8%</td></tr><tr><td>Contract Pharmaceutical Services of Australia</td><td>5%</td></tr><tr><td>Commonwealth Government</td><td>2%</td></tr></table>	Telstra	30%	NSW State Government	15%	GE Capital Finance	8%	Contract Pharmaceutical Services of Australia	5%	Commonwealth Government	2%	Section 3.
Telstra	30%											
NSW State Government	15%											
GE Capital Finance	8%											
Contract Pharmaceutical Services of Australia	5%											
Commonwealth Government	2%											
What is the Fund's valuation policy?	<p>Independent external valuations of Properties must be obtained:</p> <ul style="list-style-type: none">• At least once in any 12 month period from the date of the last valuation; or• As soon as practicable, but no later than within two months after the Directors form a view that there is reason to believe that the fair value of a Property is materially different from its current carrying value.	Section 2.7.										
Responsible Entity, Investment Manager and Property Manager												
How will the Fund be structured?	<p>The Fund is an Australian managed investment scheme registered under the Corporations Act. Upon Allotment, the Fund will be an externally managed REIT listed on the ASX. The Properties (or leasehold interests in the Properties) are held by the Fund either directly or through sub-trusts.</p> <p>As at the date of this PDS, the Responsible Entity of the Fund is Australian Unity Funds Management Limited ('AUFML'). Subject to the Resolutions being passed by Existing Investors at the Unitholder Meeting, AUFML will retire, and AUIRE will be appointed as Responsible Entity of the Fund prior to Allotment. AUIRE holds an AFSL (No. 477 434) which authorises it to provide financial services to the extent required under this PDS. It has also applied for a variation of licence to act as the Responsible Entity of the Fund that will be in place prior to Allotment if the Offer completes.</p> <p>At the same time as the change of Responsible Entity, AUFML will be appointed as Investment Manager of the Fund under an Investment Management Agreement and Australian Unity Property Management Pty Limited ('AUPM') will be appointed to provide property management services to the Fund under a new Property Management Agreement. See Section 13.5 and 13.6 for more detail on the management arrangements being entered into with Australian Unity.</p>	Sections 2.5, 5.2, 13.5 and 13.6.										

1. Investment Overview *(continued)*

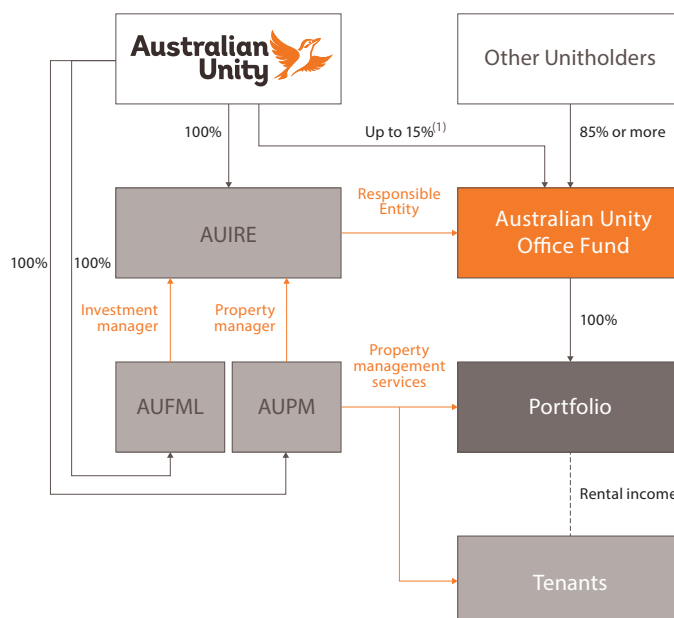
Investment overview

Reference

How will the Fund be structured?
(continued)

Structure overview post-Allotment

Sections 2.5, 5.2, 13.5 and 13.6.



Note:

(1) Australian Unity corporate entities and funds managed by Australian Unity subsidiaries are expected to have an investment in the Fund of up to 15% at Allotment.

What are the arrangements for management of the Fund?

Upon passing of the Resolutions, the Fund will be managed by AUIRE as Responsible Entity. With effect from AUIRE's appointment as Responsible Entity, and conditional on the Resolutions being passed, AUFML will be appointed as the provider of investment management services to the Fund and AUPM will be appointed as the property manager of the Fund.

Sections 2.5, 5.2, 11, 13.5 and 13.6.

The key terms of AUFML's appointment under the Investment Management Agreement will include that:

- AUFML is appointed to provide investment management services of the Fund in accordance with the investment strategy of the Fund;
- The term of the Investment Management Agreement will be for 10 years (unless extended by agreement by the parties) and will automatically extend for another 5 years following this initial term, unless terminated by the Responsible Entity upon the giving of two years' notice;
- If AUIRE or another entity in the Australian Unity Group is no longer the Responsible Entity of the Fund, the Investment Management Agreement will terminate automatically;
- AUFML is entitled to be paid an annual fee of 95% of the Base Fee that the Responsible Entity is entitled to receive under the Constitution in consideration for the provision of investment management services. This fee equates to 0.57% per annum of the Fund's Gross Asset Value (as at Allotment). To the extent the investment management fee is paid to AUFML, the Responsible Entity will reduce the Base Fee it takes out of the Fund;
- AUFML is entitled to receive an accounting service fee of \$140,000 per annum in the first year. This fee will be adjusted upwards each year after the first year to reflect annual increases in CPI; and

1. Investment Overview (continued)

Investment overview	Reference												
<p>What are the arrangements for management of the Fund? (continued)</p> <ul style="list-style-type: none"> AUFML is entitled to be reimbursed for all reasonable expenses properly incurred in the performance of services, including all taxes and amounts it pays to third parties for which it is also separately indemnified. <p>Additional details on AUFML's appointment are summarised in Section 13.5 and details about AUFML's fees are summarised in Section 11.5.</p> <p>The key terms of the Property Management Agreement include that:</p> <ul style="list-style-type: none"> AUPM is appointed to provide property management services to the Fund; If AUIRE (or one of its related bodies corporate) ceases to be the Responsible Entity, the Property Management Agreement will terminate automatically two years after the change in Responsible Entity (or immediately if AUPM so elects, in which case the new Responsible Entity will be obliged to pay the equivalent of 24 months' management fees to AUPM); AUPM is entitled to a combined fee for the property management and financial management services of 2% per annum of the budgeted Gross Operating Income for each property subject to the agreement. If the combined vacancy rates of these properties exceed 15%, the Gross Operating Income will be deemed to be 85% of the combined Gross Operating Income of the Properties as if the Properties have no vacancy; AUPM is also entitled to receive a leasing fee for new leases with prospective tenants, renewals or increases in the leased area of leases by existing tenants, and market rent reviews. Fees for leasing services (including leases and market rent reviews) are based on a percentage of the average annual rental income achieved under the relevant lease. A project supervision fee is also payable to AUPM for managing capital works. Full details of the basis of calculation of these fees is contained in Section 11.5; and AUPM is also entitled to be reimbursed for all disbursements and reasonable third party expenses incurred in connection with the provision of the services. <p>Additional details on AUPM's appointment are summarised in Section 13.6 and details about AUPM's fees are summarised in Section 11.5.</p>	<p>Sections 2.5, 5.2, 11, 13.5 and 13.6.</p>												
<p>Who are the Directors of the Responsible Entity?</p> <p>The Board of AUIRE consists of five Directors, comprising:</p> <ul style="list-style-type: none"> Two independent Directors (one of whom is the independent Chairman); Two additional non-executive Directors (who are not independent Directors); and One executive Director (who is an employee of the Australian Unity Group). <p>The Directors of the Responsible Entity will be:</p> <table> <tr> <th>Name</th><th>Role</th></tr> <tr> <td>Peter Day</td><td>Independent Director and Chairman</td></tr> <tr> <td>Don Marples</td><td>Independent Director</td></tr> <tr> <td>Eve Crestani</td><td>Non-executive Director</td></tr> <tr> <td>Greg Willcock</td><td>Non-executive Director</td></tr> <tr> <td>Kirsty Dullahide</td><td>Executive Director</td></tr> </table>	Name	Role	Peter Day	Independent Director and Chairman	Don Marples	Independent Director	Eve Crestani	Non-executive Director	Greg Willcock	Non-executive Director	Kirsty Dullahide	Executive Director	<p>Section 5.3.</p>
Name	Role												
Peter Day	Independent Director and Chairman												
Don Marples	Independent Director												
Eve Crestani	Non-executive Director												
Greg Willcock	Non-executive Director												
Kirsty Dullahide	Executive Director												

1. Investment Overview (continued)

Investment overview		Reference										
Who are the key members of management?	Australian Unity is providing the services of AUFML and AUPM to manage the Fund which will in turn provide access to key executives in the platform, including the key members outlined below, to the management of the Fund.	Section 5.4.										
	<table><tr><th>Name</th><th>Role</th></tr><tr><td>Grant Nichols</td><td>Fund Manager of the Fund</td></tr><tr><td>Simon Beake</td><td>Portfolio Manager of the Fund</td></tr><tr><td>Giovanna Reale</td><td>Asset Manager of the Fund</td></tr></table>	Name	Role	Grant Nichols	Fund Manager of the Fund	Simon Beake	Portfolio Manager of the Fund	Giovanna Reale	Asset Manager of the Fund			
	Name	Role										
	Grant Nichols	Fund Manager of the Fund										
	Simon Beake	Portfolio Manager of the Fund										
	Giovanna Reale	Asset Manager of the Fund										
	The management team is able to draw on the broader resources of the Australian Unity Group, including the following key people:											
	<table><tr><th>Name</th><th>Role</th></tr><tr><td>David Bryant</td><td>Chief Executive Officer for Australian Unity Investments and Chief Investment Officer for the Australian Unity Group</td></tr><tr><td>Mark Pratt</td><td>General Manager – Australian Unity Real Estate Investment</td></tr><tr><td>Mark Lumby</td><td>Head of Commercial Property, Australian Unity Real Estate Investment</td></tr><tr><td>Emma Rodgers</td><td>Company Secretary for AUIRE and Head of Legal and Business Governance, Australian Unity Investments</td></tr></table>	Name	Role	David Bryant	Chief Executive Officer for Australian Unity Investments and Chief Investment Officer for the Australian Unity Group	Mark Pratt	General Manager – Australian Unity Real Estate Investment	Mark Lumby	Head of Commercial Property, Australian Unity Real Estate Investment	Emma Rodgers	Company Secretary for AUIRE and Head of Legal and Business Governance, Australian Unity Investments	
	Name	Role										
	David Bryant	Chief Executive Officer for Australian Unity Investments and Chief Investment Officer for the Australian Unity Group										
Mark Pratt	General Manager – Australian Unity Real Estate Investment											
Mark Lumby	Head of Commercial Property, Australian Unity Real Estate Investment											
Emma Rodgers	Company Secretary for AUIRE and Head of Legal and Business Governance, Australian Unity Investments											
What fees will the Responsible Entity receive?	<p>Upon the Existing Investors passing the Resolutions, the Responsible Entity is entitled to the following management fees (before GST) ('Base Fee'):</p> <ul style="list-style-type: none">• 0.60% p.a. multiplied by the Fund's Gross Asset Value up to and including \$750 million; plus• 0.55% p.a. multiplied by the Fund's Gross Asset Value that exceeds \$750 million. <p>In addition, the Responsible Entity will be entitled to be paid and reimbursed for all costs, charges, expenses and outgoings incurred in the proper performance of its duties, which will include the fees and costs associated with the services of the independent Directors.</p> <p>Under the Co-Operation Deed, AUFML as the current Responsible Entity has agreed to reimburse any expenses that AUIRE incurs and pays in connection with the Offer to the extent that such expenses were incurred with the prior consent of AUFML.</p>	Section 11.										
Who is the Australian Unity Group?	<p>The Australian Unity Group is a national healthcare, financial services and retirement living organisation that provides services to around 1,000,000 Australians. For the year to 30 June 2015, Australian Unity generated \$1.4 billion in annual revenue and, as at 31 December 2015, it had approximately 300,000 members, approximately 6,500 employees¹ and was Australia's 22nd largest private company. The Australian Unity Group operates across four primary business units:</p> <ul style="list-style-type: none">• Australian Unity Investments;• Australian Unity Healthcare;• Australian Unity Independent & Assisted Living; and• Australian Unity Personal Financial Services. <p>As at 31 December 2015 the Australian Unity Group, as an investment manager, had over \$9.6 billion of funds under management, advice and administration, including approximately \$2 billion of real estate funds under management.</p>	Section 5.1.										

¹ This number includes the operations of the Home Care Services of NSW, transferred on 19 February 2016.

1. Investment Overview (continued)

Investment overview		Reference
Will Australian Unity corporate entities and funds managed by Australian Unity subsidiaries hold Units in the Fund?	<p>Yes, Australian Unity corporate entities and funds managed by Australian Unity subsidiaries are expected to have an investment in the Fund of up to 15% at Allotment.</p>	Section 10.7.
Will there be ongoing related party transactions with Australian Unity?	<p>Yes, the following transactions involve the provision of related party benefits for which approval will be sought from Existing Investors at the Unitholder Meeting:</p> <ul style="list-style-type: none"> AUIRE will be appointed as Responsible Entity and the constitution of the Fund will be amended to provide for the payment of fees to AUIRE; and AUFML and AUPM will respectively provide investment management and property management services to the Fund and the Properties pursuant to the Investment Management Agreement and the Property Management Agreement and will be entitled to receive fees in consideration for providing those services. <p>See Section 11 for information on fees payable to AUIRE as Responsible Entity of the Fund and to AUFML and AUPM under the Investment Management Agreement and Property Management Agreement.</p> <p>Under the Constitution of the Fund, AUIRE is entitled to be reimbursed and indemnified for expenses and liabilities incurred in the proper performance of its duties which may include fees which Australian Unity's associated entities (such as AUFML and AUPM) or third parties may charge the Fund. To the extent permitted by law, AUIRE will also be indemnified for any liability it may incur prior to becoming the Responsible Entity, but only where that liability arises as a result of it acting or failing to act, in its capacity as proposed Responsible Entity pursuing the Offer, and provided that any such indemnity shall only apply if the relevant liability was incurred in the proper performance of its duties (had AUIRE been the Responsible Entity at the time).</p> <p>In addition, Australian Unity will have a relationship with the Fund in the following ways:</p> <ul style="list-style-type: none"> AUFML and an indirectly wholly-owned subsidiary of Australian Unity, Australian Unity Investment Management Administration Pty Limited ('AUIMA') are trustees of the Sub-Trusts of the Fund; Australian Unity corporate entities and funds managed by Australian Unity subsidiaries may hold Units in the Fund; Australian Unity Personal Financial Services Ltd (a wholly owned subsidiary of Australian Unity), and its authorised representatives, may provide financial advice to its clients in relation to investing in, or continuing to hold Units in, the Fund; and The executive Director is an employee of the Australian Unity Group. One of the non-executive Directors is also a director of Australian Unity. A second non-executive Director was a director of Australian Unity until 29 February 2016 and is a director of Seres Asset Management Limited which is partly owned by a subsidiary of Australian Unity. 	Sections 11, 13.1, 13.5, 13.6, 13.7 and 13.8.

1. Investment Overview *(continued)*

Investment overview		Reference
Governance and Board		
What are the key responsibilities of the Directors of the Board?	<p>The Directors of the Board will, at all times, act in the best interests of Unitholders. This involves monitoring the decisions and actions of the Fund's manager(s) and the management team that is responsible for the day-to-day management of the Fund. The Board also monitors the governance and performance of the Fund through the committees established by it.</p> <p>The key responsibilities of the Board include:</p> <ul style="list-style-type: none"> • Approving of the Fund strategy and overseeing its implementation; • Approving of material investments and material capital commitments; • Reviewing and overseeing the Fund's corporate governance policies and practices, risk management framework and internal controls and compliance; • Determining the terms of reference, membership and composition of any committee of the Board; and • Overseeing, directing and monitoring compliance with the Corporations Act, ASX Listing Rules, conditions of AUIRE's AFSL and other statutory duties and obligations imposed by law, including financial reporting obligations. 	Sections 5.6 and 14.14.
Will Unitholders be able to appoint the Directors of the Board?	Unitholders in the Fund will not have the right to appoint or re-elect directors to the Board of AUIRE, as AUIRE is not owned by Unitholders or by the Fund.	Section 5.3.
What will be the governance arrangements for the Fund?	The Board recognises the role and importance of good corporate governance and has established governance arrangements to ensure that the Fund will be managed in a manner that is properly focused on its investment objectives and the interests of Unitholders. The Board is responsible for the effective operation of these governance arrangements.	Section 5.6.
Can the Responsible Entity be removed?	Yes, by an ordinary resolution of Unitholders once Listed.	Section 13.1.
What would be the consequences of removing the Responsible Entity?	<p>If AUIRE is removed or retires as Responsible Entity:</p> <ul style="list-style-type: none"> • The Investment Management Agreement will automatically terminate (unless the new Responsible Entity is a related party of AUFML); • The Property Management Agreement will terminate automatically two years after the change in Responsible Entity (or immediately if AUPM so elects, in which case the new Responsible Entity will be obliged to pay the equivalent of 24 months' management fees to AUPM) (unless the new Responsible Entity is a related party of AUPM); • An event of default would arise under the Proposed Debt Facility (unless the Lenders otherwise consent to the change); and • The Fund may no longer have access to the expertise and resources of the Australian Unity Group. 	Sections 13.2, 13.5, 13.6 and 13.7.

1. Investment Overview (continued)

Investment overview		Reference
Will annual and half-yearly financial reports be provided to the Fund's Unitholders?	For both tax and reporting purposes, the Fund reports on a 30 June financial year end basis. Annual reports will be provided to Unitholders as at 30 June (full year) each year. Interim 31 December reports and 30 June full year reports will be made available each year on the Fund's website.	Section 6.1.
Will the Fund hold annual meetings?	The Fund will hold annual general meetings of Unitholders.	Section 14.14.
Overview of the Offer		
What is the Offer?	<p>AUIRE intends to raise up to \$155.0 million by offering up to 77.5 million Units¹ at an Offer Price of \$2.00 per Unit.</p> <p>The Offer will consist of:</p> <ul style="list-style-type: none"> • An Institutional Offer that consists of an offer to certain Institutional Investors in Australia, New Zealand and certain other overseas jurisdictions (excluding the United States); • A Broker Firm Offer that is open to Retail Investors who have received a firm allocation through their Broker; and • An Australian Unity Offer that is open to Existing Investors and other investors invited to participate who are Australian residents at the time the Australian Unity Offer is made. <p>No general public offer of Units will be made and members of the public wishing to subscribe for Units under the Offer (who are not eligible to participate in the Australian Unity Offer) must do so through a Broker with a firm allocation.</p>	Section 10.
What are the Conditions to the Offer completing?	<p>The completion of the Offer (i.e. Allotment of Units under the Offer) is subject to a number of Conditions:</p> <ul style="list-style-type: none"> • The approval by Existing Investors of the Resolutions; • Replacement of AUFML as Responsible Entity of the Fund by AUIRE; • The variation of AUIRE's AFSL by ASIC to include an authorisation to allow it to act as the Responsible Entity; • Appointment of AUFML as investment manager of the Fund and AUPM as property manager of the Fund; • The Constitution, as amended, coming into effect; • Completion of the Unit Consolidation; and • Settlement under the Underwriting Agreement. The Underwriting Agreement includes a number of customary conditions that must be satisfied for Settlement to occur under the Underwriting Agreement. These include the lodgement of this PDS with ASIC, AUIRE becoming entitled to accept applications following the end of ASIC's Exposure Period and the provision to the Joint Lead Managers of certain standard opinions and sign-offs in connection with the due diligence process. 	Section 13.3.
What happens if the Conditions to the Offer completing are not satisfied?	If this was to occur, the Offer will not proceed. All Application Monies received will be returned to Applicants. No interest will be paid on any Application Monies refunded as a result of the Offer not completing.	Section 10.

¹ The number of Units to be issued will be up to 77.5 million, with the total number of Units to be determined based on the number of Units which Existing Investors elect to withdraw under the Withdrawal Offer. See Section 10.5 for further details.

1. Investment Overview (continued)

Investment overview		Reference																				
Is the Offer underwritten?	Yes, the Offer is underwritten by the Joint Lead Managers. AUIRE and the Joint Lead Managers have entered into an Underwriting Agreement in respect of the management of the Offer. Under certain circumstances, the Joint Lead Managers may terminate the Underwriting Agreement.	Section 13.3.																				
How will the proceeds of the Offer be used?	<p>The proceeds from the Offer will be used to:</p> <ul style="list-style-type: none">• Fund the Withdrawal Offer for Existing Investors who may elect to exit their investment;• Reduce the Fund’s current Gearing from approximately 50% to Gearing of 30% at Allotment and a partial termination of existing interest rate swaps; and• Pay for some of the Transaction Costs. <table><tr><th>Sources</th><th>\$ million</th><th>Uses</th><th>\$ million</th></tr><tr><td>Proceeds from Offer</td><td>Up to 155.0</td><td>Fund Withdrawal Offer for Existing Investors</td><td>Up to 56.2</td></tr><tr><td></td><td></td><td>Paydown of existing debt and derivatives¹</td><td>91.3</td></tr><tr><td></td><td></td><td>Transaction Costs²</td><td>7.5</td></tr><tr><td>Total sources</td><td>Up to 155.0</td><td>Total uses</td><td>Up to 155.0</td></tr></table> <p>The proceeds required to fund the Withdrawal Offer for Existing Investors may be less than \$56.2 million subject to the elections of Existing Investors to retain their investment in the Fund instead of making withdrawal requests up to the \$56.2 million limit.</p>	Sources	\$ million	Uses	\$ million	Proceeds from Offer	Up to 155.0	Fund Withdrawal Offer for Existing Investors	Up to 56.2			Paydown of existing debt and derivatives ¹	91.3			Transaction Costs ²	7.5	Total sources	Up to 155.0	Total uses	Up to 155.0	Section 10.2.
Sources	\$ million	Uses	\$ million																			
Proceeds from Offer	Up to 155.0	Fund Withdrawal Offer for Existing Investors	Up to 56.2																			
		Paydown of existing debt and derivatives ¹	91.3																			
		Transaction Costs ²	7.5																			
Total sources	Up to 155.0	Total uses	Up to 155.0																			
Can the Offer be withdrawn?	Yes. AUIRE, in consultation with the Joint Lead Managers, reserves the right to withdraw the Offer or close it early. If the Resolutions being proposed to Existing Investors at the Meeting are not passed, or any of the other Conditions are not satisfied, the Offer will not proceed. If the Offer is withdrawn, AUIRE will refund all Application Monies in full, without interest.	Section 10.5.																				
Where do I find an Application Form?	<p>Institutional Offer Applicants</p> <p>The Joint Lead Managers will separately advise Institutional Investors of the Application procedures for the Institutional Offer.</p> <p>Broker Firm Offer Applicants</p> <p>An Application Form accompanies this PDS, or can be obtained from your Broker.</p> <p>To apply under the Broker Firm Offer, you must lodge your Broker Firm Application Form and Application Monies in accordance with your Broker’s directions in order to receive your firm allocation.</p> <p>Australian Unity Offer Applicants</p> <p>The Australian Unity Offer is only open to eligible Existing Investors and other investors invited to participate. To apply under the Australian Unity Offer, eligible Existing Investors and other investors invited to participate must complete the relevant Australian Unity Offer Application Form and pay any applicable Application Monies in accordance with the instructions on the relevant Australian Unity Offer Application Form. You will need to provide your Unitholder reference number so the Registry can identify you as an eligible Existing Investor or other investor invited to participate.</p>	Sections 10.10, 10.11 and 10.12.																				

¹ Includes a forecast interest rate swap termination payment of \$7.5 million.

² Total transaction costs are expected to be approximately \$8.3 million; of which \$0.8 million will be borne by Existing Investors prior to Allotment and \$7.5 million will be paid from the proceeds of the Offer.

1. Investment Overview (continued)

Investment overview		Reference
When do I apply?	<p>Key dates for the Offer are set out in the Key Offer Information Section.</p> <p>Applications under the Australian Unity Offer will only be accepted from 31 May 2016 and must be received by 16 June 2016.</p> <p>Applications under the Broker Firm Offer will only be accepted from 31 May 2016 and must be received by 16 June 2016.</p> <p>All times and dates referred to in this PDS are subject to change and as such if you wish to participate in the Offer you are encouraged to submit your Application Form as soon as possible after the Broker Firm Offer and Australian Unity Offer opening date.</p>	Section 10.
When will I know if my Application has been accepted?	Holding statements confirming your allocation under the Offer are expected to be dispatched on 22 June 2016.	Section 10.
Is there a cooling-off period?	There will not be a cooling-off period in relation to Applications. Once an Application has been lodged, it cannot be withdrawn (other than in certain limited circumstances permitted by law).	Section 10.14.
What is the minimum and maximum Application amount under the Offer?	<p>For Applicants under the Broker Firm Offer and Australian Unity Offer, the minimum Application amount is \$2,000 and in increments of at least \$500 thereafter.</p> <p>Applicants under the Institutional Offer will be provided further information regarding the Institutional Offer from the Joint Lead Managers.</p> <p>There is no maximum application amount but you may be subject to scale back.</p>	Sections 10.10, 10.11 and 10.12.
What is the allocation policy?	<p>The final allocation of Units between the Broker Firm Offer, Institutional Offer and the Australian Unity Offer will be determined by the Joint Lead Managers in agreement with AUIRE.</p> <p>For Broker Firm Offer Applicants, Brokers will decide as to how they allocate Units among their clients.</p> <p>For Australian Unity Offer Applicants, AUIRE will decide as to how it allocates Units. The Australian Unity Offer is not a priority offer and there is no guaranteed minimum level of allocation of Units to this component of the Offer.</p> <p>AUIRE and the Joint Lead Managers reserve the right to reject or scale back any Application under the Offer.</p> <p>In the event that the Offer size is reduced because withdrawal requests worth less than \$56.2 million are received in aggregate, allocations to the Institutional Offer and/or the Broker Firm Offer and/or the Australian Unity Offer will be reduced by the Joint Lead Managers in consultation with AUIRE.</p>	Sections 10.9 to 10.13.
Will the Units be Listed?	<p>AUIRE has applied for the Fund to be admitted to the Official List of the ASX and quotation of the Units on the ASX.</p> <p>The issue of new Units will be conditional on the ASX accepting the Fund's application for admission to the Official List of the ASX.</p> <p>The Fund's ASX code will be AOF.</p>	Section 10.15.

1. Investment Overview (continued)

Investment overview		Reference
When can I sell my Units on the ASX?	<p>It is expected the Units will commence trading on the ASX on or about 20 June 2016 on a conditional and deferred settlement basis.</p> <p>It is expected that Units will commence trading on the ASX on a normal settlement basis on or about 23 June 2016. It is the responsibility of Applicants to confirm their allocation of Units prior to trading in Units. Unitholders who sell Units before they receive their holding statements do so at their own risk.</p>	Section 10.15.
What is conditional and deferred settlement trading?	<p>The period of conditional and deferred settlement trading allows for Units to trade on ASX prior to satisfaction of the conditions of conditional trading, including completion of the Withdrawal Offer and settlement of the Offer. In the event the conditions to conditional trading are not satisfied by the end of the conditional trading period, the Offer will not proceed.</p> <p>If this was to occur all trades conducted during the conditional and deferred settlement trading period will be invalid and will not settle. All Application Monies received will be returned to Applicants. No interest will be paid on any Application Monies refunded as a result of the conditions to the conditional market in Units not being satisfied.</p>	Section 10.15.
What is the Withdrawal Offer?	<p>AUFML in its capacity as the current Responsible Entity will offer to Existing Investors the opportunity to make a withdrawal request from their investment in the Fund ('Withdrawal Offer'). The Withdrawal Offer will be conducted prior to commencement of Listing and will be for an amount of up to \$56.2 million ('Maximum Withdrawal Amount'), with such withdrawal requests to be funded from the proceeds of the Offer. The Withdrawal Offer is conditional upon completion of the Offer and payment of withdrawal amounts will not be made until after Allotment.</p> <p>If the total amount of withdrawal requests for the Fund exceeds the Maximum Withdrawal Amount, requests will be met on a pro rata basis.</p> <p>The proceeds required to fund the Withdrawal Offer for Existing Investors may be less than \$56.2 million subject to whether Existing Investors take up their right to withdraw from the Fund.</p> <p>The price applied in meeting the withdrawal requests will be the Net Asset Value per Unit last calculated before the Withdrawal is effected (the Net Asset Value will be equal to the NTA for the Fund at that time as the Fund has no intangible assets). Taking into account the portion of the Transaction Costs that are to be borne by Existing Investors, this NTA is forecast to be \$1.96 per Unit on a post-Consolidation basis ('Withdrawal Price'). Accordingly, the Offer Price of \$2.00 per Unit will represent the same percentage premium to the Withdrawal Price as it does to the NTA as at the Allotment Date (which premium is forecast to be 2.0%).</p>	Section 10.5.
Why is there a Withdrawal Offer?	<p>The Withdrawal Offer is intended to provide Existing Investors with a structured liquidity mechanism should they elect to exit their investment in the Fund prior to Allotment and is also intended to provide some degree of comfort to incoming investors that Existing Investors will have had an opportunity to realise liquidity prior to completion of the Offer.</p> <p>Historically, the Fund has provided Existing Investors with semi-annual liquidity via withdrawal offers capped at 2.5% of NTA.</p>	Section 10.5.

1. Investment Overview (continued)

Investment overview		Reference
What options do Existing Investors have?	<p>Existing Investors can either:</p> <ul style="list-style-type: none"> • Maintain their investment in the Fund (or increase their investment in the Fund by applying to participate in the Institutional Offer (if they are eligible to participate), the Broker Firm Offer (if they receive a firm allocation from their Broker) or the Australian Unity Offer); or • Participate in the Withdrawal Offer. 	Sections 10.5 and 10.12.
Funds From Operations and Distributions		
What are the Fund's expected Funds From Operations and Distribution Yields?	<p>The forecast FFO Yield of the Fund based on the Offer Price is:</p> <ul style="list-style-type: none"> • 8.2% for FY17; and • 8.6% annualised for 1HFY18. <p>The forecast Distribution Yield of the Fund based on the Offer Price is:</p> <ul style="list-style-type: none"> • 7.4% for FY17; and • 7.8% annualised for 1HFY18. <p>The Fund expects to pay quarterly Distributions to Unitholders and expects these Distributions to be between 80% and 100% of FFO. The above Distribution Yield has assumed a midrange forecast payout ratio of 90% of FFO.</p> <p>The Fund's FFO and Distributions are reconciled to net profit in the Financial Information section (Section 6.4). Net profit is based on the assumptions and accounting policies set out in Sections 6.5 and 6.8, respectively.</p> <p>Investors should note that the forecast net profit, Distribution Yields and FFO Yields are subject to risk (including those set out in Section 9), the assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6). There is no guarantee that these forecasts will be achieved.</p>	Section 6.4.
Will there be any Distributions before Listing?	<p>The Responsible Entity of the Fund will pay a Pre-Offer Distribution of income for the period 1 April 2016 to (but not including) the date of Allotment, with a Record Date of 21 June 2016. The Fund expects the Pre-Offer Distribution to be approximately ninety percent of the ordinary quarterly Distribution of the Fund. The Pre-Offer Distribution will be paid after Allotment.</p>	Section 6.
What is the Fund's Distribution policy?	<p>Distributions are intended to be paid quarterly, with Unitholders to receive Distributions within two months following the end of each Distribution period, being the quarters ending 31 March, 30 June, 30 September and 31 December each year.</p> <p>Once Listed and as required by the Constitution, the Fund's first Distribution is expected to be for the nine day period from Allotment to 30 June 2016. This distribution is expected to be approximately \$0.5 million (or 0.4 cents per Unit). Thereafter, Distributions will be paid quarterly. The first quarterly distribution period will commence on 1 July 2016 and end on 30 September 2016. This distribution will be paid in October 2016.</p> <p>The Fund will aim to distribute between 80% and 100% of its FFO each year.</p>	Section 2.7.
Are Distributions guaranteed?	<p>No, Distributions are not guaranteed. The Responsible Entity can provide no guarantee as to the extent of future Distributions, as these will depend upon the Fund's future performance and its financial position at that time.</p>	Section 2.7.

1. Investment Overview (continued)

Investment overview		Reference
What portion of the Distributions will be tax deferred for Australian tax purposes?	Approximately 86% of the Distributions for FY17 and 35% for 1HFY18 are expected to be tax deferred.	Section 6.4.2.
Taxation implications		
What are the tax implications of the Offer?	<p>Participation in the Offer may have taxation implications for investors. These implications will differ depending on the individual circumstances of each person who participates in the Offer.</p> <p>Information concerning tax implications of the Offer in this PDS is general in nature and investors should seek and only rely on their own professional taxation advice in relation to their own position.</p>	Section 12.
Transaction Costs		
What are the costs associated with the Transaction?	Total Transaction Costs are expected to be approximately \$8.3 million. Costs borne by Existing Investors in relation to the development and implementation of the Transaction prior to Allotment amount to \$0.8 million. The remaining Transaction Costs of approximately \$7.5 million will be paid by the Fund from the proceeds of the Offer.	Sections 6 and 11.4.
Is there any broker commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants who apply for Units using an Application Form. Post Listing, if you buy or sell Units on the ASX, you may have to pay brokerage and other costs.	Section 10.17.
Other information		
Where can I find out further information about the Offer?	<p>If you require more information about this PDS or the Offer, please call Investor Services on 1300 721 637 (toll free within Australia) or +61 2 8016 2890 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Fund is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p>	Section 10.20.



468 St Kilda Rd, Melbourne, VIC

Two

Overview of the Fund



2. Overview of the Fund

2.1. Summary

The Australian Unity Office Fund will be an ASX-listed REIT that wholly owns (or has leasehold interests in) a diversified Portfolio of eight quality office¹ Properties located across Australia's major commercial metropolitan and CBD markets, independently valued at \$391.1 million as at 30 April 2016.

The Portfolio is geographically diversified and has a broad tenant base with approximately 50% of the Portfolio leased to Telstra, the NSW Government and GE Capital Finance.²

The Fund will continue to be managed by the Australian Unity Group, having access to dedicated resources and the Australian Unity Group's broader platform. The Australian Unity Group includes an established investment manager with over \$9.6 billion of funds under management, advice and administration, including \$2.0 billion of real estate funds under management.³

Australian Unity Investment Real Estate Limited will, subject to the approval of Existing Investors, be appointed as Responsible Entity prior to Allotment.

A summary of the Portfolio has been provided below with individual Property data provided in Section 3.

Key summary Portfolio metrics

Number of Properties	8
Independent valuation ⁴	\$391.1 million
Weighted average Capitalisation Rate ⁵	8.0%
Weighted average Passing Yield ⁶	8.1%
Occupancy ⁷	96.5%
Weighted average lease expiry (WALE) ⁸	4.7 years
Net Lettable Area (NLA)	97,645 sqm

Section 4 of this PDS contains an Independent Market Report prepared by Savills, in which Savills has identified a number of attributes which lead it to conclude that Australia's office markets make a compelling investment proposition. These attributes include:

- Australia's CBD office markets have had an increase in occupied space of a million square metres over the past eight years;

- tenant demand for office space is gathering momentum in both Melbourne and Sydney. Vacancy rates are low in metropolitan markets and forecast to fall further due in part to supply constraints;
- the commercial property markets in Australia continue to enjoy elevated levels of transaction volumes as both domestic and international capital competes for prime assets. Foreign investment capital appears to be attracted to the higher yield and the lower exchange rate. The yield differential between CBD office property and metropolitan office property is driving greater capital allocations to metropolitan office markets; and
- Australia's office markets, on the whole, are enjoying greater levels of demand. Increasing levels of demand combined with withdrawal of redundant space are expected to contribute to the ongoing decline in the vacancy rate. It is worth noting the non-CBD vacancy rate being lower than the CBD office vacancy rate and particularly the low vacancy rate in Parramatta and North Ryde.

Detailed information in relation to the Australian office market is provided in the Independent Market Report in Section 4 and you are encouraged to read the Independent Market Report together with the conditions on which it was provided in full.

2.2. Benefits of investing in the Fund

An office Portfolio that is diversified by geography, tenants and lease expiry profile

- A Portfolio of scale comprising eight office Properties independently valued at \$391.1 million,⁹ located in metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra
- Approximately 50% of the Portfolio¹⁰ is leased to Investment Grade tenants, currently Telstra (30%), the NSW Government (15%) and GE Capital Finance (8%), on leases in excess of five years
- Portfolio value below replacement cost
- 96.5% occupancy¹¹ and no rental guarantees
- WALE of 4.7 years¹² with no individual lease expiry in the next three years greater than 5% of Portfolio income

¹ All of the Properties are office properties other than 2 Eden Park Drive, North Ryde and 5 Eden Park Drive, North Ryde which contains both office and industrial components. The majority of income is derived from the office component of both Properties. See Sections 3.2.1 and 3.2.2 for details.

² As at 30 April 2016, by Gross Property Income.

³ As at 31 December 2015.

⁴ As at 30 April 2016.

⁵ As at 30 April 2016, weighted by independent valuation.

⁶ As at 30 April 2016, weighted by independent valuation.

⁷ As at 30 April 2016, by NLA.

⁸ As at 30 April 2016, by Gross Property Income.

⁹ As at 30 April 2016.

¹⁰ As at 30 April 2016, by Gross Property Income.

¹¹ As at 30 April 2016, by NLA.

¹² As at 30 April 2016, by Gross Property Income.

2. Overview of the Fund (continued)

Simple structure with a focused Fund strategy

- The Fund currently holds 100% ownership interests in each Property within the Portfolio¹
- Focused predominantly on owning Australian office properties
- Simple base management fee structure with no ongoing performance fees²
- Net Operating Income growth underpinned by annual fixed rental increases of approximately 3.5% across over 90% of leases
- Balanced investment strategy
 - Properties with a single or dominant tenant, with Net Operating Income underpinning Distributions of the Fund (approximately 68% of the Portfolio by independent valuation)
 - Multi-tenant properties, where no single tenant represents more than approximately 30% of the property's income, providing regular and ongoing opportunity to capture market rental growth (32% of the Portfolio by independent valuation)

Key financial metrics and capital structure

- Forecast FY17 FFO Yield of 8.2% growing to 8.6% annualised for 1HFY18³
- Forecast FY17 Distribution Yield of 7.4% growing to 7.8% annualised 1HFY18⁴
- The Fund expects to pay quarterly Distributions to Unitholders and expects these Distributions to be between 80% and 100% of FFO. The above Distribution Yield has assumed a midrange payout ratio of 90% of FFO
- Offer Price of \$2.00 per Unit that represents an expected premium to NTA of 2.0%, as at Allotment
- At Allotment, Fund Gearing of approximately 30% with target Gearing below 40% in the future

A well-resourced and experienced manager

- The Australian Unity Group includes a comprehensive real estate platform (see Section 5.1.2) with a proven track record. Subsidiaries of Australian Unity will manage the Australian Unity Office Fund
- Dedicated management team, the majority of which has worked together on the Fund for more than seven years
- Australian Unity Real Estate Investment was awarded Direct Property Fund Manager of the Year from Professional Planner/ Zenith Investment Partners in 2013 and was a finalist in 2014

Experienced Board with independent Chairman

- The Board of the Responsible Entity will be led by an independent Chairman
- The Board has extensive experience with an average of over 20 years of corporate and industry experience

2.3. The Fund's strategy

The Fund's strategy is to:

- Focus predominantly on owning Australian office properties in metropolitan and CBD markets
- Grow Net Property Income and enhance capital values through active asset management
- Deliver investors sustainable and growing income returns via quarterly Distributions
- Maintain a capital structure which has target Gearing below 40%
- Construct a portfolio that maintains diversification of geography, tenants and lease expiry profile through:
 - investments in existing Properties (which may include undertaking refurbishment and alterations to meet changing tenant requirements and where income risk can be substantially mitigated, undertaking redevelopment of a Property); and
 - potential future acquisitions

On an ongoing basis the Fund will actively assess on and off market opportunities to acquire properties. No acquisition opportunity (or divestment) is currently being assessed.

The Fund will review this strategy from time to time when it considers it in the best interests of Unitholders to do so.

2.4. Investment management strategy

The Fund has developed an investment management strategy that it will utilise in developing the Portfolio. The guiding principle of the investment management strategy is to minimise earnings volatility whilst maintaining a measured exposure to market conditions. In developing a strategy to achieve this, the Fund has distinguished the types of properties it seeks to own and manage into two types.

¹ Either the freehold or leasehold interest. See Section 3 for full details.

² AUFML, as the outgoing Responsible Entity will be entitled to a one-off performance fee under the Constitution, which is forecast to be \$5.0 million and will be paid immediately prior to the change of Responsible Entity, subject to the Existing Investors passing the Resolutions. See Section 6.8.5 for further details.

³ This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

⁴ This information is based on the Forecast Financial Information and is subject to risks (including those set out in Section 9), assumptions (set out in Section 6.5) and sensitivities (including those set out in Section 6.6).

2. Overview of the Fund (continued)

Single/dominant tenanted office properties

This type of property is wholly occupied or dominated by a single tenant, typically located in metropolitan or CBD markets. The benefit of these properties is that they can provide long term lease agreements to Investment Grade rated tenants, which underpins the earnings profile of the Fund.

The Properties of this type within the Portfolio are:

- 30 Pirie St, Adelaide;
- 10 Valentine Ave, Parramatta;
- 5 Eden Park Drive, North Ryde; and
- 32 Phillip St, Parramatta.

At each of these Properties the Fund has a track record of renewing key tenants and obtaining long term lease agreements.

These properties typically either have a long term lease in place or a high probability of renewal. Preferably the property will be the tenants' market/regional headquarters or the property will meet a tenant's specific needs that are not readily available elsewhere.

In managing this type of property, the Fund works to establish and maintain strong tenant relationships in order to understand the ongoing and future occupancy requirements. The Fund also seeks to ensure that it has sufficient capital available so that properties can be repositioned or tailored to meet changing occupancy requirements in the future.

Whilst these properties provide the opportunity to obtain long term lease commitments, this brings with it the risk of loss of revenue in the event those leases are not renewed on expiry. In order to mitigate that expiry risk, the Fund seeks to maintain a good relationship with the tenant in order to understand the tenant's ongoing and future occupancy requirements in addition to monitoring the availability of potentially competing office space. The Fund will consider disposing a property if the expiry risk is deemed substantial.

Multi-tenanted office properties

This type of property has a diversified lease expiry profile, with no single tenant dominating the property's income and is typically located in major office markets. The benefit of these properties is that they provide continuous market rental exposure without any significant exposure to the risk of expiry of a lease to any particular tenant. Typically, these properties satisfy smaller tenant demand (up to 1,000 sqm). Multi-tenanted office properties have recently been a segment of the market generating solid leasing demand.

The Properties of this type within the Portfolio are:

- 468 St Kilda Rd, Melbourne;
- 241 Adelaide St, Brisbane;

- 2 Eden Park Drive, North Ryde; and
- 64 Northbourne Ave, Canberra.

These properties are typically conveniently located and well-presented and have efficient, easily divisible floor plates. These properties also maintain a diversified mix of tenants, typically with no tenant representing more than approximately 30% of the Net Operating Income by property.

In managing this type of property, the Fund will seek to maintain tenant demand by keeping the property presentable, improving tenant amenity where possible and offering flexible lease terms. The Fund also seeks to maximise income returns by utilising previously unused space for an income generating purpose, or by changing the nature of tenancy space, for example from office to retail use, where suitable to do so.

2.5. Management and structure of the fund

Unitholders will own Units in the Fund, a registered managed investment scheme that will be listed on the ASX. The Properties (or leasehold interests in the Properties) are held by the Fund either directly or through Sub-Trusts.

The Fund currently has in excess of 4,000 Existing Investors.

Subject to the approval of the Resolutions by Existing Investors, AUIRE will become the Responsible Entity. AUIRE is a wholly owned subsidiary of Australian Unity, and holds an AFSL (No. 477 434) which authorises it to provide financial services to the extent required under this PDS. It has also applied for a variation of licence to act as the Responsible Entity of the Fund that will be in place prior to Allotment if the Offer completes.

Following AUIRE's appointment as Responsible Entity, and conditional on the Resolutions being passed:

- AUFML will be appointed as the provider of investment management services to AUIRE as Responsible Entity under the terms of the Investment Management Agreement; and
- AUPM will be appointed by AUIRE and the Sub-Trustees, as trustee of their respective Sub-Trusts, as the property manager of the Fund under the terms of the Property Management Agreement.

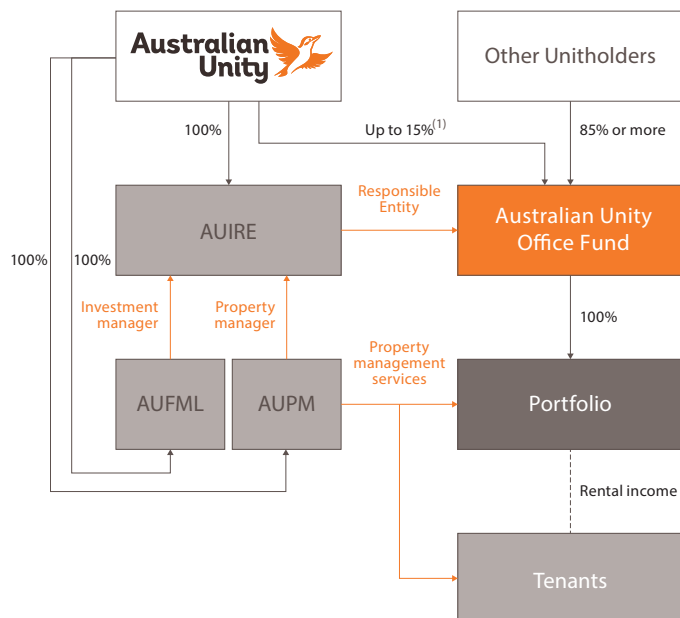
Fees and expenses incurred in connection with services provided by third parties such as facilities managers for Properties will be payable in addition to any amounts owing to AUPM from time to time.

See Sections 13.5 and 13.6 for more details of these management arrangements.

2. Overview of the Fund (continued)

The diagram below shows the structure of the Fund and Australian Unity at Allotment.

Structure at Allotment



Note:

(1) Australian Unity corporate entities and funds managed by Australian Unity subsidiaries are expected to have an investment in the Fund of up to 15% at Allotment.

2.6. Financing arrangements

The Fund's primary sources of external financing will be debt and equity. The Fund's target Gearing range is to be below 40%. Gearing is calculated as interest bearing liabilities less cash divided by total tangible assets less cash. At Allotment, the Fund's forecast Gearing is approximately 30%.

2.6.1. Proposed Debt Facility

The Fund has received credit approved term sheets from its Lenders setting out a high level summary of the agreed terms for amendments to the Fund's existing debt facilities (such amendments to reflect, among other things, the listed nature of the Fund, and reduced Gearing of the Fund, post-IPO) ('**Proposed Debt Facility**'), with the key terms outlined below. The Proposed Debt Facility will only be available on finalisation and execution of full-form financing documents and satisfaction of each condition precedent in the documents associated with the Proposed Debt Facility, including a successful IPO. If the conditions are not met it is management's intention that the existing debt facility will remain in place, subject to any consents required from the Lenders.

Key terms

Facility size	Tranche A: \$70 million Tranche B: \$70 million
Maturity	Tranche A: 21 June 2019 Tranche B: 21 June 2021
Key covenants	<ul style="list-style-type: none"> A maximum 50% Loan to Value Ratio ('LVR') defined as the amount outstanding under the Proposed Debt Facility divided by the (GST-exclusive) market value of the Properties, based on the most recent valuations accepted by the Lenders. A minimum Interest Coverage Ratio ('ICR') of 2.0 times, calculated over a 12 months period, defined as the net income divided by finance charges (in accordance with the methodology set out in the Proposed Debt Facility).

The proceeds of drawdown of the Proposed Debt Facility may be used by the Fund:

- to assist in funding new property acquisitions;
- for general working capital requirements (including capital expenditure);
- for paying distributions (under a revolving debt facility established to improve capital efficiency of the Fund); and
- purchasing and cancelling units in the Fund.

At Allotment, it is anticipated that the Fund's Proposed Debt Facility will be drawn to \$120.5 million, representing a Gearing level of approximately 30%.

See Section 13.2 for further details about the Proposed Debt Facility.

2.6.2. Interest rate hedging policy

The Fund will manage the risks to the Fund's income associated with the fluctuation of interest rates by using derivative financial instruments, in the form of interest rate swaps, to convert floating interest rate borrowings to fixed interest rates. Such interest rate swaps hedge the risk of interest rate fluctuations in respect of underlying borrowing. The Fund intends to fix interest rates in respect of 40% to 100% of drawn borrowings over a range of maturity dates. On Allotment, the Fund intends to hedge approximately 70%¹ of drawn debt with interest rate swaps maturing in August 2019 and August 2021. These hedging arrangements are already in place with the Lenders.

¹ Post the partial termination of interest rate swaps.

2. Overview of the Fund (continued)

2.7. The Fund's policies

Capital management policy	<p>The Fund will utilise a mixture of debt and equity to finance its activities. It is intended that all borrowings and interest payable will be denominated in Australian dollars.</p> <p>Gearing at Allotment is expected to be approximately 30%, with target Gearing below 40% in the future.</p>
Distribution policy	<p>The Fund expects to pay quarterly Distributions to Unitholders and expects these Distributions to be between 80% and 100% of FFO. FFO or Funds From Operations is a Property Council of Australia definition which adjusts statutory AAS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of tenant incentives, rental straight-line adjustments and other unrealised one-off items.</p> <p>The Directors will have regard to cash available when determining the Distribution.</p> <p>The Fund can provide no guarantees as to the extent of future Distributions.</p> <p>The Responsible Entity will continue to monitor the appropriateness of this Distribution policy to ensure that it meets the ongoing objectives of the Fund and is in the best interests of Unitholders.</p>
Valuation policy	<p>Independent external valuations of Properties must be obtained:</p> <ul style="list-style-type: none">• at least once in any 12 month period from the date of the last valuation; or• as soon as practicable, but no later than within two months after the Directors form a view that there is reason to believe that the fair value of a Property is materially different from the current carrying value. <p>The current value of the Portfolio is based on independent valuations completed as at 30 April 2016. Summaries of these valuations can be found in Section 8.</p>
Reporting policy	<p>The Fund will be required to report in accordance with the Corporations Act and Listing Rules including the continuous disclosure regime. AUIRE intends to provide regular, accurate and timely disclosures to the market through releases to the ASX in accordance with the Listing Rules and posting of such material on the Fund's website www.australianunityofficefund.com.au.</p> <p>The Fund's website will also provide specific information on the individual Properties as well as the Portfolio. These are anticipated to be updated in line with half and full-year end or at any stage that there is a material event. For taxation, accounting and financial reporting purposes, the Fund will report on a 30 June financial year end basis. The Fund will report to Unitholders formally in line with the half-year (31 December) and full-year (30 June) end. This reporting will include:</p> <ol style="list-style-type: none">(1) The net profit, FFO and Distributions paid;(2) The NTA per Unit at the half-year and full-year end dates;(3) Update on the Portfolio and individual Properties; and(4) Any significant operational activities and performance outcomes that would affect Unitholders. <p>An audited annual financial report will be provided to Unitholders in accordance with the Corporations Act. An interim (half-year) auditor reviewed report will also be provided on the Fund's website.</p>



5 Eden Park Drive, North Ryde, NSW

Three Property Portfolio



3. Property Portfolio

3.1. Portfolio overview

The Fund's Portfolio comprises eight office Properties located across various Australian metropolitan and CBD markets. The Portfolio has been independently valued at \$391.1 million as at 30 April 2016, with a weighted average Capitalisation Rate of 8.0%¹ and occupancy of 96.5%.² The Portfolio is diversified across two types of properties:

- Single or dominant tenanted properties which are wholly occupied or dominated by a single tenant: approximately 68% of the Portfolio by independent value;³ and
- Multi-tenanted properties, where no single tenant represents more than approximately 30% of the property's Net Operating Income: approximately 32% of the Portfolio by independent value.⁴

Property overview

The table below summarises the key characteristics of each Property in the Portfolio:

Property	Valuation (\$m) ⁵	Capitalisation Rate ⁶	Passing Yield ⁷	NLA (sqm)	Valuation (\$psqm)	Occupancy ⁸	WALE (years) ⁹	Proportion of the Fund's income ¹⁰
30 Pirie St, Adelaide, SA	117.0	7.5%	8.3%	24,781	4,721	100.0%	6.3	30.0% ¹¹
10 Valentine Ave, Parramatta, NSW	69.5	8.5%	7.4%	15,995	4,345	100.0%	5.9	16.5%
5 Eden Park Drive, North Ryde, NSW	40.8	7.8%	8.3%	11,033	3,698	90.0%	1.4	9.2%
32 Phillip St, Parramatta, NSW	37.8	7.5%	7.7%	6,759	5,585	100.0%	7.2	8.4%
468 St Kilda Rd, Melbourne, VIC	43.5	7.5%	8.4%	11,186	3,889	97.8%	3.5	11.3%
241 Adelaide St, Brisbane, QLD	35.5	9.0%	9.2%	11,128	3,190	92.0%	2.5	12.2%
2 Eden Park Drive, North Ryde, NSW	28.7	8.3%	8.2%	10,345	2,774	95.9%	2.3	6.7%
64 Northbourne Ave, Canberra, ACT	18.3	9.3%	7.3%	6,419	2,851	87.7%	4.7	5.8%
Total/weighted averages	391.1	8.0%	8.1%	97,645	4,005	96.5%	4.7	100.0%

¹ As at 30 April 2016, weighted by independent valuation.

² As at 30 April 2016, by NLA.

³ Independent valuation, as at 30 April 2016.

⁴ Independent valuation, as at 30 April 2016.

⁵ Independent valuation, as at 30 April 2016.

⁶ As at 30 April 2016, weighted by independent valuation.

⁷ As at 30 April 2016, weighted by independent valuation.

⁸ As at 30 April 2016, by NLA.

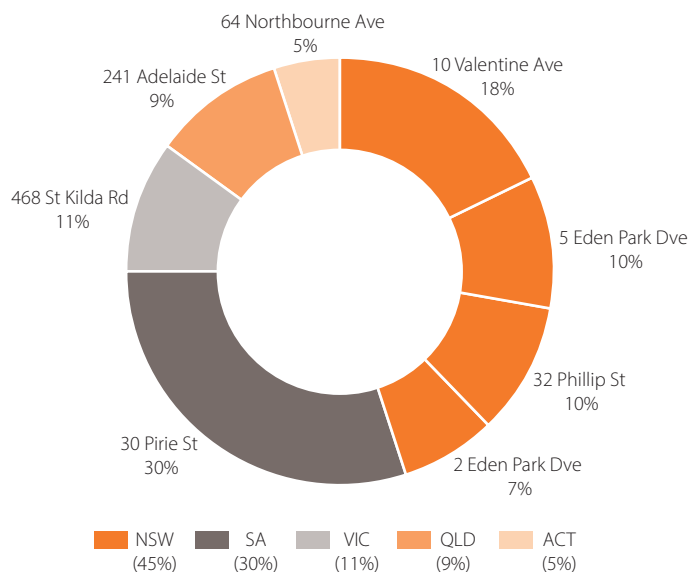
⁹ As at 30 April 2016, by Gross Property Income.

¹⁰ As at 30 April 2016, by Gross Property Income.

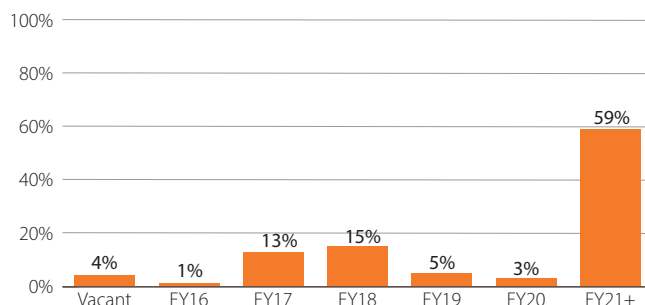
¹¹ Telstra has exercised its right to hand back two floors (approximately 9% of the Gross Property Income of the Property) under the terms of its lease at 30 Pirie Street, Adelaide in February 2017. This represents approximately 3% of the Gross Property Income of the Fund.

3. Property Portfolio (continued)

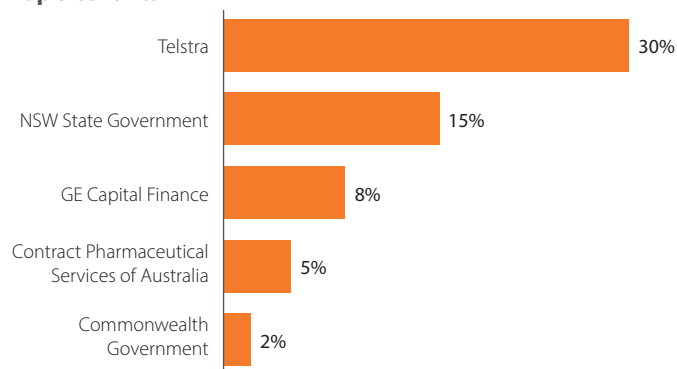
Property and geographic diversification¹



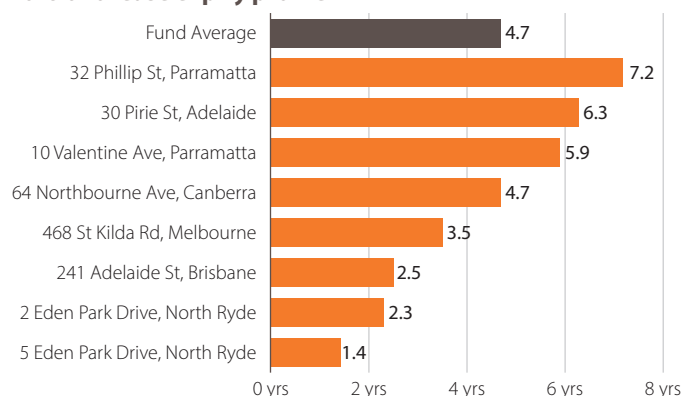
Property lease expiry profile²



Top 5 tenants³



Portfolio lease expiry profile⁴



Top 5 tenants description



Telstra is an Australian telecommunications and information services company, offering a full range of communications services and competing in all telecommunications markets. In Australia they provide 16.9 million mobile services, 7.2 million fixed voice services and 3.3 million retail fixed broadband services.



The lessee occupying the relevant Property is the NSW State Government department, Government Property New South Wales ('GPNSW'), which manages properties and tenancies on behalf of the NSW State Government.



General Electric is a technology and financial services company that develops and manufactures products for the generation, transmission, distribution, control and utilisation of electricity. Its products and services include aircraft engines, power generation, water processing, security technology, medical imaging, business and consumer financing, media content and industrial products.



Contract Pharmaceutical Services of Australia ('CPSA') is a packaging specialist; providing production processing, manufacturing and technical support services to the pharmaceutical and other healthcare industries.



The department of the Commonwealth Government of Australia currently occupying the relevant Property is the Department of Employment, which is responsible for national policies and programs that help Australians find and keep employment and work in safe, fair and productive workplaces.

¹ As at 30 April 2016, by independent valuation.

² As at 30 April 2016, by NLA.

³ As at 30 April 2016, by Gross Property Income.

⁴ As at 30 April 2016, by NLA.

3. Property Portfolio (continued)

3.2. Portfolio summaries

3.2.1. The Fund's single/dominant tenanted Properties

30 Pirie Street, Adelaide, South Australia

Overview

30 Pirie Street is an A grade office property that is centrally located in Adelaide's CBD. The Property comprises 23 levels of office space and has 24,781 sqm of NLA. Most floors enjoy scenic views and the location provides easy access to all amenities including tram and bus services. Rundle Mall, Adelaide's primary retail strip, is nearby. There are a number of car parking stations in the immediate vicinity offering permanent and casual spaces.

The entire NLA of the Property is leased to Telstra, which has occupied the Property since its construction in 1987. The Property recently underwent an extensive base building refurbishment (costing approximately \$19 million), in accordance with the terms of a new 11 year lease entered into with Telstra in 2012. These works included lobby refurbishment, lift upgrade, toilet and common amenity refurbishments, construction of 'end of trip' facilities, new ceilings and lighting, new carpet and hard floorings, and upgrades to mechanical, electrical and fire services.

Telstra has exercised its right to hand back two floors (levels 22 and 23) in February 2017.

Strategy

- Maintain strong tenant relations with Telstra to understand changes to its business which may alter ongoing or future tenancy requirements.
- Refurbish levels 22 and 23 and establish a proactive leasing campaign to address the pending vacancy.

Key features

Ownership interest	100% freehold
Location	Adelaide CBD
Grade	A
Net Lettable Area (sqm)	24,781
Typical floor plate (sqm)	900
Site area (sqm)	3,040
NABERS Energy Rating	4.0 stars
NABERS Water Rating	3.5 stars
Occupancy (by NLA)	100.0%
WALE by Gross Property Income	6.3 years
Build date	1987
Last refurbishment date	2012

Major tenants profile (by NLA)

Level	G-21	22-23
Major tenant	Telstra	Telstra
NLA (sqm)	22,724	2,057
NLA %	92%	8%
Expiry	28 February 2023	28 February 2017
Passing gross income	\$11.7 million	\$1.1 million
Review	Annual fixed 3.5% ⁽¹⁾	No further reviews

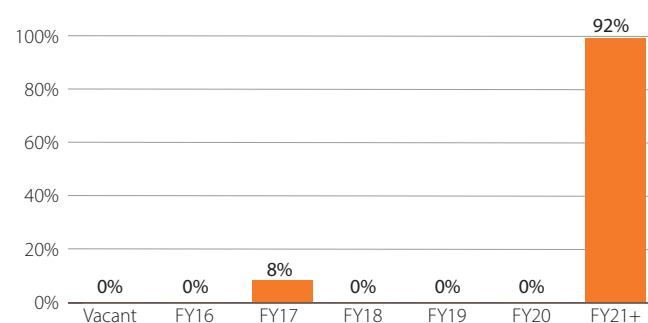
Note:

(1) Market review in 2018 (review capped at 10% increase, no decrease).

Valuation

Valuation date	30 April 2016
Independent valuer	Savills
Valuation (100% interest)	\$117.0 million
Rate/sqm NLA	\$4,721
Passing Yield	8.3%
Capitalisation Rate	7.5%
Discount rate	8.5%
Terminal yield	7.8%

Lease expiry profile (by NLA)



Location map



3. Property Portfolio (continued)

10 Valentine Avenue, Parramatta, New South Wales

Overview

10 Valentine Avenue is a modern office property that was constructed in 1987. It comprises 14 levels of office space and basement parking for 25 car spaces. Adjacent to the office property is a six level, freestanding car park providing parking for 286 vehicles. The Property and adjacent car park form an island site, with no adjacent properties. The Property is located approximately 100 metres from the Parramatta Bus and Railway Interchange and Westfield Parramatta.

The Property is predominantly leased to the NSW State Government, which has occupied the Property since its construction in 1987. The NSW State Government has recently agreed to a six year lease renewal from its current 30 June 2016 lease expiry.

Strategy

- As a result of the lease renewal to the NSW State Government, the Fund has committed to refurbishing the main foyer and bathrooms. Further, the Fund will undertake the construction of new 'end of trip' facilities and a foyer refurbishment, improving property amenity. Combined, these works will improve the tenant experience and aid the possibility of future lease renewals.
- Complete upgrades to the fire and lift services to ensure long term compliance and reliability.
- Investigate the feasibility of redevelopment opportunities for the adjacent freestanding car park. This may include redeveloping the car park to commercial space or obtaining an uplift in value from a development consent.

Key features

Ownership interest	100% freehold
Location	Parramatta CBD
Grade	A
Net Lettable Area (sqm)	15,995
Typical floor plate (sqm)	1,250
Site area (sqm)	3,935
Car parks ⁽¹⁾	311
NABERS Energy Rating	5.0 stars
NABERS Water Rating	3.5 stars
Occupancy (by NLA)	100%
WALE by Gross Property Income	5.9 years
Build date	1987
Last refurbishment date	Currently being refurbished

Note:

(1) Secure Parking lease 224 car parks. The balance is either licenced to the NSW State Government or utilised by building management.

The NSW State Government has the ability to hand back up to five floors between December 2019 and December 2020, provided notice has been given by 31 December 2018.

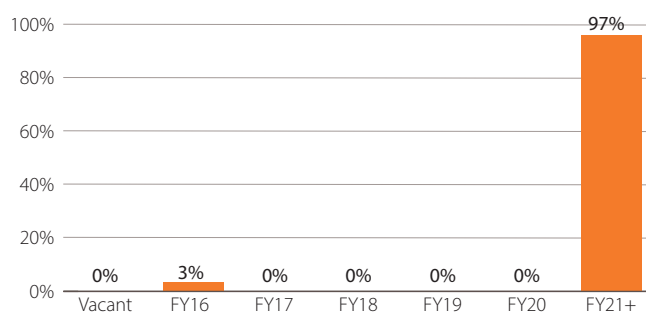
Major tenants profile (by NLA)

Level	1-13
Major tenants	NSW State Govt
NLA (sqm)	15,569
NLA %	97%
Expiry	30 June 2022
Passing gross income	\$6.5 million
Review	Annual fixed 3.25%

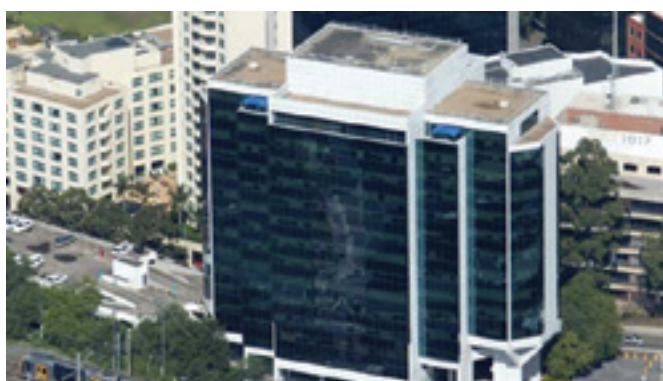
Valuation

Valuation date	30 April 2016
Independent valuer	Knight Frank
Valuation (100% interest)	\$69.5 million
Rate/sqm NLA	\$4,345
Passing Yield	7.4%
Capitalisation Rate	8.5%
Discount rate	9.0%
Terminal yield	8.8%

Lease expiry profile (by NLA)



Location map



3. Property Portfolio (continued)

5 Eden Park Drive, North Ryde, New South Wales

Overview

5 Eden Park Drive was constructed in 2004 and comprises three levels of office accommodation and a hi-tech production and warehouse area. The Property was purpose built for the specific requirements of the major tenant, Contract Pharmaceutical Services Australia ('CPSA'), which occupies all of the production and warehouse area, and a portion of the office space.

North Ryde is an established commercial precinct located about 15 kilometres from Sydney's CBD by a motorway. The Property is in close proximity to the Macquarie Park railway station on the Chatswood to Epping railway link.

Strategy

- Maintain strong tenant relations with the property's major tenant, CPSA, to understand business changes and enhance renewal opportunities.
- Continue with a proactive property management strategy targeted at addressing tenant retention and current vacancy.
- As the Property is a relatively new construction the property services and amenities remain functional and presentable.

Key features

Ownership interest	100% freehold
Location	North Ryde
Grade	A
Net Lettable Area (sqm)	11,033
Typical floor plate (sqm)	2,393
Site area (sqm)	9,731
Car parks	247
NABERS Energy Rating	5.5 stars
NABERS Water Rating	3.5 stars
Occupancy (by NLA)	90.0%
WALE by Gross Property Income	1.4
Build date	2004

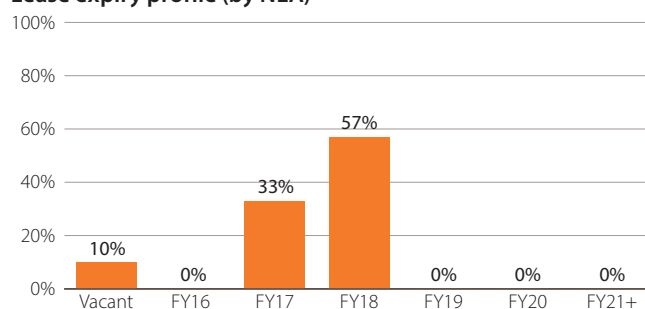
Major tenants profile (by NLA)

Level	G&1	3
Major tenants	CPSA	Cth Govt
NLA (sqm)	6,280	2,393
NLA %	57%	22%
Expiry	30 June 2018	31 July 2016
Passing gross income	\$2.1 million	\$1.0 million
Review	Annual fixed 3.5%	No further reviews

Valuation

Valuation date	30 April 2016
Independent valuer	Savills
Valuation (100% interest)	\$40.8 million
Rate/sqm NLA	\$3,698
Passing Yield	8.3%
Capitalisation Rate	7.8%
Discount rate	9.0%
Terminal yield	8.0%

Lease expiry profile (by NLA)



Location map



3. Property Portfolio (continued)

32 Phillip Street, Parramatta, New South Wales

Overview

32 Phillip Street is a B grade office property located within the northern portion of the Parramatta commercial precinct and is in close proximity to the Church Street retail strip.

The Property comprises eight levels of office space and has recently been fully refurbished under the terms of a new 10 year lease to GE Capital Finance. Each level attracts excellent natural light and offers scenic district and river views.

Strategy

- Maintain strong tenant relations with the whole building tenant, GE Capital Finance, to understand changes to its business which may alter its ongoing or future tenancy requirements.
- As the Property was recently fully refurbished, there are no near term capital requirements.
- Whilst there is no immediate intention given the remaining lease term to GE Capital Finance, the Fund will, in time, investigate the feasibility of alternate redevelopment opportunities, given the changing nature of surrounding development, including residential conversion. Whilst the Fund does not intend to undertake any residential development, it may consider seeking development consent prior to disposal if sufficient value uplift could be achieved by doing so.

Key features

Ownership interest	100% freehold
Location	Parramatta
Grade	B
Net Lettable Area (sqm)	6,759
Typical floor plate (sqm)	836
Site area (sqm)	1,151
Car parks	102
NABERS Energy Rating	4.0
NABERS Water Rating	3.5
Occupancy (by NLA)	100.0%
WALE by Gross Property Income	7.2 years
Build date	1991
Last refurbishment date	2013

Major tenants profile (by NLA)

Level	G-13
Major tenants	GE Capital Finance
NLA (sqm)	6,759
NLA %	100%
Expiry	30 June 2023
Passing gross income	\$3.6 million
Review	Annual fixed 3.5% ⁽¹⁾

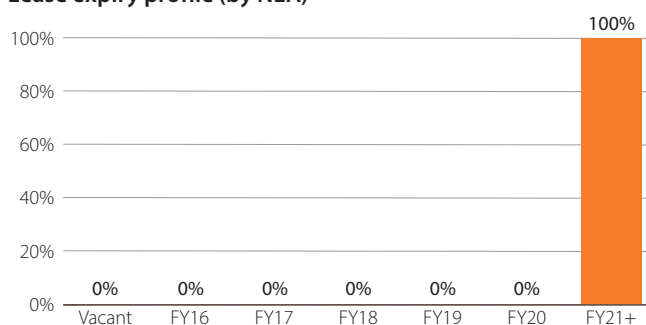
Note:

(1) Market review in 2018 (review capped at 7.5% increase, no decrease).

Valuation

Valuation date	30 April 2016
Independent valuer	CBRE
Valuation (100% interest)	\$37.75 million
Rate/sqm NLA	\$5,585
Passing Yield	7.7%
Capitalisation Rate	7.5%
Discount rate	9.0%
Terminal yield	8.0%

Lease expiry profile (by NLA)



Location map



3. Property Portfolio (continued)

3.2.2. The Fund's multi-tenanted Properties

468 St Kilda Road, Melbourne, Victoria

Overview

468 St Kilda Road is a B grade office property comprising 13 levels, with refurbishments carried out progressively since 2010. The Property offers contemporary office space, providing excellent views over Albert Park from the upper levels. Car parking is provided over two levels in the basement.

St Kilda Road is an established commercial and residential precinct, located approximately 3 kilometres to the south of the Melbourne CBD. The St Kilda Road office market is one of the largest non-CBD office markets in Australia providing cost effective office accommodation, with a good standard of amenity and public transport, in close proximity to the CBD. There have been no new office developments in the St Kilda Road office market for some time and some office buildings in that market have been withdrawn for residential conversion. The rent review mechanism in approximately 92% (by NLA) of leases with upcoming rental reviews stipulates an increase in Net Operating Income of between 3.5% and 4.0%.

Strategy

- Continue with a proactive property management strategy, addressing tenant retention and improving WALE.
- To address current and pending vacancy, the Fund will consider subdivision to attract smaller tenants and further diversify the lease expiry profile.
- Undertake a lift upgrade and progressively refurbish bathrooms and lift foyers to enhance presentation and tenant amenity.
- Review all existing maintenance contracts and current outgoings to minimise operating expenditure and enhance Net Operating Income.
- Whilst the Fund considers the ongoing commercial use as currently most suitable, having regard to the fact that residential development in the surrounding area has recently increased, the Fund will continue to monitor the highest and best use and the feasibility of potential redevelopment opportunities.

Key features

Ownership interest	100% freehold
Location	St Kilda Road
Grade	B
Net Lettable Area (sqm)	11,186
Typical floor plate (sqm)	900
Site area (sqm)	2,311
Car parks	114
NABERS Energy Rating	3.0 stars
NABERS Water Rating	2.5 stars
Occupancy (by NLA)	97.8%
WALE by Gross Property Income	3.5 years
Build date	1985
Last refurbishment date	Progressively since 2010

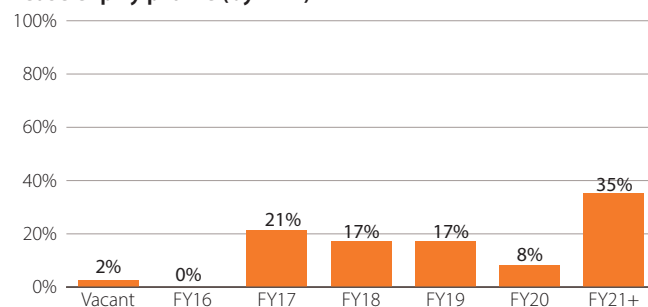
Major tenants profile (by NLA)

Level	2,3,4 (part)	6
Major tenants	Media-brands	SLA Services
NLA (sqm)	1,746	901
NLA %	16%	8%
Expiry	31 July 2016	1 July 2017
Passing gross income	\$0.7 million	\$0.4 million
Review	No further review	Annual fixed 3.75%

Valuation

Valuation date	30 April 2016
Independent valuer	Urbis
Valuation (100% interest)	\$43.5 million
Rate/sqm NLA	\$3,889
Passing Yield	8.4%
Capitalisation Rate	7.5%
Discount rate	8.3%
Terminal yield	8.0%

Lease expiry profile (by NLA)



Location map



3. Property Portfolio (continued)

241 Adelaide Street, Brisbane, Queensland

Overview

241 Adelaide Street, also known as 'The Brisbane Club Tower', was completed in 1988. It comprises four levels of basement car parking for 90 vehicles, foyers to the ground and first levels, retail tenancies and 19 levels of office accommodation. The Property is located within the centre of the Brisbane CBD, being adjacent to Post Office Square and within close proximity to central railway station.

The Property provides contemporary B Grade standard office accommodation. Each floor (excluding the ground level) provides column free space with typical floor plates of 509 square metres. A side core enables each level to be subdivided into a number of tenancies with minimal loss of total lettable area.

The Property has been progressively refurbished since 2012. This includes converting a noise attenuation floor, previously used as storage space, into office space and converting ground floor office space into a retail use; improving the Property's rental return and tenant amenity. The rent review mechanism in approximately 63% (by NLA) of leases with upcoming rental reviews stipulates an increase in Gross Property Income of between 3.5% and 4.0%.

Strategy

- Continue with a proactive property management strategy targeted at increasing tenant retention and WALE.
- To address current and pending vacancy, the premises will be refurbished with existing fitouts recycled where suitable or speculative fitouts installed to capture current small tenant demand.
- Progressively refurbish bathrooms and lift foyers to enhance presentation and tenant amenity.
- To capture higher rents, satisfy tenant demand, and diversify the lease expiry profile, the Fund will continue to subdivide floors to attract smaller tenancies.
- Review all existing maintenance contracts and current outgoings to minimise operating expenditure and enhance Net Operating Income.
- Maintain strong relations with the freehold owner, The Brisbane Club, and should the opportunity arise, explore extending the leasehold interest or converting to a freehold interest.

Key features

Ownership interest	100% leasehold ⁽¹⁾
Location	Brisbane CBD
Grade	B
Net Lettable Area (sqm)	11,128
Typical floor plate (sqm)	509
Site area (sqm)	762
Car parks	90
NABERS Energy Rating	3.0
NABERS Water Rating	4.0
Occupancy (by NLA)	92.0%
WALE by Gross Property Income	2.5 years
Build date	1988
Last refurbishment date	Progressively since 2012

Note:

(1) The interest in the Property is held in the form of a head lease from The Brisbane Club over the freehold area. The rent for head lease is \$1 per annum, with a 2063 expiry. 3,339sqm of the NLA is sub-let to The Brisbane Club. The rent for the sub lease is \$1 per annum, with a 2063 expiry.

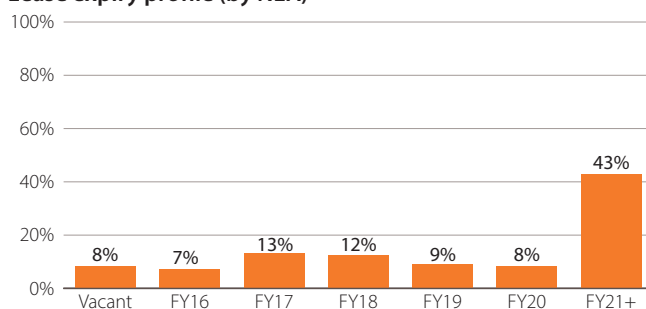
Major tenants profile (by NLA)

Level	14	11
Major tenants	PPC World-wide	Trust Company
NLA (sqm)	509	509
NLA %	4.6%	4.6%
Expiry	28 February 2018	14 July 2021
Passing gross income	\$0.3 million	\$0.4 million
Review	Annual fixed 4.00%	Annual fixed 4.00%

Valuation

Valuation date	30 April 2016
Independent valuer	Knight Frank
Valuation (100% interest)	\$35.5 million
Rate/sqm NLA	\$3,190
Passing Yield	9.2%
Capitalisation Rate	9.0%
Discount rate	8.8%
Terminal yield	9.7%

Lease expiry profile (by NLA)



Location map



3. Property Portfolio (continued)

2 Eden Park Drive, North Ryde, New South Wales

Overview

2 Eden Park Drive is a modern industrial complex completed in 1999 that comprises 16 attached units incorporating office and warehouse components. The three level office areas are at the front of the Property with the warehouse areas at the rear, split over two levels. All lifts within the building were recently upgraded.

The unique nature of the Property compared to properties in the near vicinity, being predominantly small, quality offices attached to high clearance warehouse, has meant the Property has sustained a relatively high level of occupancy since construction.

The Property is located in the Macquarie Park business park, within close proximity to the Macquarie Park railway station on the Chatswood to Epping railway link. The Macquarie Park business park is now Sydney's second largest office precinct behind the CBD. The rent review mechanism in 100% (by NLA) of leases with upcoming rental reviews stipulates an increase in Net Operating Income of between 3.5% and 4.0%.

Strategy

- Continue with a proactive property management strategy targeted at addressing tenant retention and improving the Property's WALE.
- Complete upgrade to mechanical services to ensure future reliability and improve tenant amenity.
- Seek to re-use and recycle fitouts to capture demand for fitted out premises sought by smaller tenants.

Key features

Ownership interest	100% freehold
Location	North Ryde
Grade ⁽¹⁾	Not graded
Net Lettable Area (sqm)	10,345
Site area (sqm)	10,340
Car parks	186
NABERS ⁽²⁾ Energy Rating	Not rated
NABERS ⁽²⁾ Water Rating	Not rated
Occupancy (by NLA)	95.9%
WALE by Gross Property Income	2.3 years
Build date	1999

Note:

(1) Due to the industrial component of this Property, an office grade is not applicable.

(2) NABERS ratings do not apply to properties with a significant industrial component.

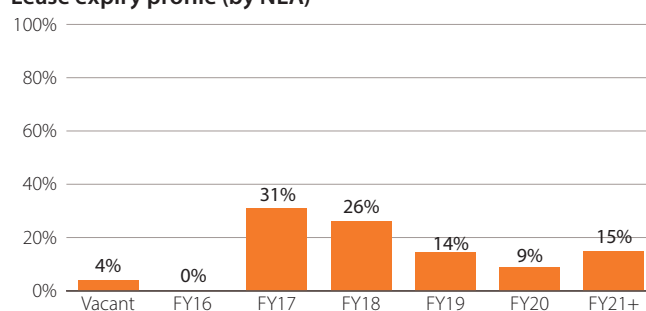
Major tenants profile (by NLA)

Level	4 & 5	15 & 16
Major tenants	NuSkin Australia	Enterix
NLA (sqm)	1,427	967
NLA %	14%	9%
Expiry	31 December 2016	30 June 2019
Passing gross income	\$0.4 million	\$0.3 million
Review	Annual fixed 3.50%	Annual fixed 4.00%

Valuation

Valuation date	30 April 2016
Independent valuer	Knight Frank
Valuation (100% interest)	\$28.7 million
Rate/sqm NLA	\$2,774
Passing Yield	8.2%
Capitalisation Rate	8.3%
Discount rate	9.0%
Terminal yield	8.5%

Lease expiry profile (by NLA)



Location map



3. Property Portfolio (continued)

64 Northbourne Avenue, Canberra, Australian Capital Territory

Overview

64 Northbourne Avenue is a six level office property completed in 1985. The Property enjoys a central location on a prominent corner within the Canberra CBD and is within close proximity of the prime retail precinct and the City Bus Interchange.

The building has been progressively refurbished since 2012 including upgrades to the mechanical services and refurbishment of bathrooms. 'End of Trip' facilities are currently being designed to enhance tenant amenity, with construction to occur during 2016. The rent review mechanism in 100% (by NLA) of leases with upcoming rental reviews stipulates an increase in Gross Property Income of between 3.5% and 4.0%

Strategy

- To capture higher rents, satisfy tenant demand, and diversify the lease expiry profile, the Fund will consider subdividing floors to attract smaller tenancies.
- Continue to monitor energy use and assist ways to achieve a NABERS rating of 4.5 stars.
- Actively pursue a diversified mix of smaller tenants so as to avoid a future lumpy expiry profile.

Key features

Ownership interest	100% leasehold ⁽¹⁾
Location	Canberra CBD
Grade	B
Net Lettable Area (sqm)	6,419
Typical floor plate (sqm)	1,300
Site area (sqm)	1,583
Car parks	33
NABERS Energy Rating	3.5 stars
Occupancy (by NLA)	87.7%
WALE by Gross Property Income	4.7 years
Build date	1985
Last refurbishment date	2012

Note:

(1) Most land in the Australian Capital Territory is leased to private lessees under long term Crown leases. Subject to some exceptions, a Crown lease is akin to ownership and is governed by the Land Titles Act 1925 (ACT) and the Planning and Development Act 2007 (ACT).

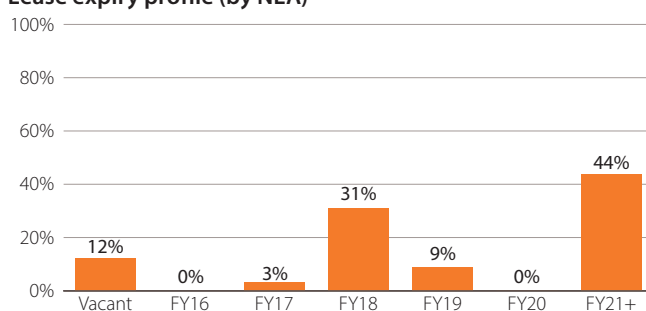
Major tenants profile (by NLA)

Level	4 & 5	2
Major tenants	UGL Services	Defence Force Recruiting
NLA (sqm)	1,761	1,265
NLA %	27%	20%
Expiry	31 July 2017	30 June 2023
Passing gross income	\$0.7 million	\$0.6 million
Review	Annual fixed 4.00%	Annual fixed 3.75%

Valuation

Valuation date	30 April 2016
Independent valuer	Savills
Valuation (100% interest)	\$18.30 million
Rate/sqm NLA	\$2,851
Passing Yield	7.3%
Capitalisation Rate	9.3%
Discount rate	11.0%
Terminal yield	9.8%

Lease expiry profile (by NLA)



Location map





32 Phillip St, Parramatta, NSW



Four Independent Market Report

4. Independent Market Report



11 April 2016

The Directors

Australian Unity Investment Real Estate Limited
as the proposed Responsible Entity of the Australian Unity Office Fund
Level 14, 114 Albert Road
South Melbourne VIC 3205

Ref: Australian Unity Office Market Report

Dear Directors,

Re: Savills Office Market Commentary

Executive Summary

- Australia's CBD office markets have registered over a million square metres of net absorption over the past eight years. The majority of leasing activity is requirements of less than 1,000 square metres.
- Tenant demand for office space is gathering momentum in both Melbourne and Sydney. Vacancy rates are low in metropolitan markets and forecast to fall further due in part to supply constraints.
- The commercial property markets in Australia continue to enjoy elevated levels of transaction volumes as both domestic and international capital compete for prime assets. Foreign investment capital appears to be attracted to the higher yield and the lower exchange rate.
- The yield differential between CBD office property and metropolitan office property is driving greater capital allocations to metropolitan office markets.
- Policy settings are conducive to white collar employment growth which bodes well for office markets.
- Australia's office markets, on the whole, are enjoying greater levels of demand. Increasing levels of demand combined with withdrawal of redundant space are expected to contribute to the ongoing decline in the vacancy rate. It is worth noting the non-CBD vacancy rate being lower than the CBD office vacancy rate and particularly the low vacancy rate in Parramatta and North Ryde.
- In **Adelaide**, a shortage of new buildings and a low vacancy rate for quality buildings should serve the market well into the foreseeable future. Leasing activity is focused on upgrade and consolidation and the investment market remains strong.
- In **Parramatta** and **North Ryde**, a lack of supply and site competition from residential development maintains downward pressure on vacancy.
- In Melbourne's **St Kilda Rd** office market, the withdrawal of redundant office space for residential conversion continues to keep the vacancy low whilst demand for smaller tenancies keep the leasing market buoyant. The investment market continues to strengthen.
- In **Brisbane**, small tenants remain particularly active as upgrade and consolidation occupies the larger users. Tenant moves from the fringe to the CBD where better value is now apparent is a trend worth noting as is the strong investment market.
- In **Canberra**, the supply cycle has largely come to an end and withdrawal of redundant space for conversion to alternative use is expected to drive the vacancy rate lower into the future. Leasing activity remains dominated by government tenants with investment market fundamentals remaining attractive.

4. Independent Market Report (continued)



Overview

Commonly, each capital city in Australia has a strong representation of government - federal, state and local. Also in common, law courts are located in the CBD's leading to a high representation of legal and support services. Melbourne and Sydney both have a high level of company headquarters due to the larger size of their worker populations however there are corporate headquarters found in the other capital cities. Education is Australia's fourth largest export earner and each capital city has education facilities in or near to its CBD which occupy office space.

The Australian office markets have not only grown in size since the onset of the GFC in 2007 but have seen a substantial increase in occupancy of well over one million square metres. This is quite an accomplishment given the severity of the GFC and is testament to the resilience of the Australian economy and the prudent financial regulations put in place in Australia following the recession of 1992.

Also of note is the ongoing levels of withdrawals. Whilst construction is closely monitored for the effect on vacancy levels, attention should also be given to the withdrawal of redundant space. One of the most popular alternative uses of redundant office buildings is conversion to residential use. Higher house prices in Australia's capital cities means that in some instances it is cheaper to build than it is to buy property. Higher density living is also gaining traction and commercial property land sites are large enough to accommodate such developments. A total of 2,869,360 square metres has been monitored as being withdrawn from office markets in Australia over the last decade. This is 11 percent of the total size of the market and is greater than the total amount of existing vacancy. This is an important dynamic to understanding the behaviour of office markets.

Further, the office markets in Australia are an excellent barometer of economic conditions across the country. The Australian economy currently continues its transition from growth driven by mining investment to one driven by non-mining investment, consumption and population growth. The Reserve Bank of Australia has cut official interest rates further and maintains an easing bias, the currency remains low against the US dollar but remains elevated against major trading partner currencies, commodity prices have fallen substantially and inflation remains low.

In Table 1 it can be seen that the largest number of tenant enquiries comes from smaller tenants of less than 1,000 square metres. Approximately 80 percent of tenants required less than 1,000 square metres of office space. Savills Research found 11 percent of tenants require between 1,000 square metres and 2,500 square metres and 7 percent for space between 2,500 square metres and 10,000 square metres. Only 2 percent (large "pre-committing" tenants) require greater than 10,000 square metres.

What is also of interest is approximately one quarter of all space required by tenants is less than one floor, a further third of all space required can be accommodated on between one and three floors. Approximately 16 percent of all space enquiry requires between five and eight floors whilst a third of all space enquired for requires a substantial existing building or a new building to be built. Clearly, tenant activity is largest in the sub-1,000 square metre part of the market.

Table 1 Cumulative Tenant Enquiry for Office Space

	Number		Square metres		Average Size
Less than 1,000 square metres	3,560	80%	1,169,507	23%	329
1,000 to 2,500 square metres	478	11%	804,310	15%	1,683
2,500 to 5,000 square metres	232	5%	892,200	17%	3,846
5,000 to 10,000 square metres	109	2%	844,150	16%	7,744
10,000+ square metres	69	2%	1,490,450	29%	21,601

Source: Savills Research Melbourne office tenant enquiry 2002 to 2014

4. Independent Market Report (continued)



These enquiry numbers, taken from over a decade of leasing enquiries in Melbourne, are reflective of the nature of occupancy in Australia's office markets and, in fact, this is true globally. In other words, the majority of tenants by number are less than 1,000 square metres in size. This is where the depth of demand is to be found. Tenants are progressively smaller in number the larger they are in occupancy size. Whilst larger tenants can be appealing from an occupancy point of view, they are difficult to replace due to the smaller number of them in any given market.

Tenant demand for office space is gathering momentum in both Melbourne and Sydney where substantial growth in net absorption is being delivered, whilst Brisbane and Canberra continue to soften, reporting lower occupancy levels. North Ryde remains strong whilst activity in Adelaide and Parramatta is somewhat subdued. Both the Parramatta and Adelaide office markets are supply constrained. The lack of good quality office space either under construction or existing leaves tenants in secondary space with little alternative other than renewing their occupancy until a new project is commenced.

With regards to development activity in office markets, Australia's CBD office markets have weathered the twin effects of the Global Financial Crisis and the mining investment boom over the past eight years to register over a million square metres of net absorption. This has occurred in an environment where business confidence has been subdued and consumers have been reluctant to spend.

The fact that Australian office markets (Perth, Brisbane and Canberra in particular) have added over two million square metres of space to Australian CBD office markets in the same eight year period says a number of things:

- rents in some markets have been at a level where construction can occur, they cannot, by definition, grow much beyond that;
- businesses are in a position to commit to a new building, confident, forward looking, managing their business affairs well. This is an important point. Both government and corporations have used the last eight years as an opportunity to work their accommodation harder by upgrading, consolidating and reconfiguring their office space. There are countless examples around the country and more is expected over the coming years;
- banks, developers and funds are ready and available to ensure buildings are constructed with prudent levels of pre-commitment and very little speculative development. Debt and equity markets and an appetite for risk are all working in harmony.

These are the signs of a very healthy office market as the office markets are behaving as they are supposed to.

According to the latest PCA figures, the current levels of vacancy in select office markets is as follows:

Table 2 Select Office Vacancy Rates – January 2016

Grade	Stock (sq m)	Vacancy (sq m)	Vac % Jan-16	Vac % Jan-15	Net Absorption
Adelaide CBD	1,386,538	195,468	14.1	13.5	2,493
Brisbane CBD	2,157,340	321,442	14.9	15.5	-17,896
Canberra	2,390,758	356,720	14.9	15.4	8,860
St Kilda Rd	701,950	62,437	8.9	9.8	-24,077
Parramatta	682,907	38,518	5.6	6.3	6,998
North Ryde	886,499	72,979	8.2	10.0	33,331
Australian CBD	17,768,807	1,942,595	10.9	11.2	265,751
Australian non-CBD	7,298,556	678,647	9.3	9.9	5,064

4. Independent Market Report (continued)



Source: PCA / Savills Research

Australia's office markets, on the whole, are enjoying greater levels of demand. This is not equal across all office markets and some office markets are experiencing a decline in occupancy, particularly those with exposure to the mining sector. Those office markets most exposed to non-mining industries are experiencing a lower vacancy due to higher levels of demand. The office markets with higher levels of vacancy can expect to enter the next phase of the office cycle as older, obsolete or redundant office space is recycled – either refurbished, turned to an alternative use or demolished. In any case, the office vacancy rate can be expected to decline. It is worth noting the non-CBD vacancy rate being lower than the CBD office vacancy rate and particularly the low vacancy rate in Parramatta and North Ryde. Metropolitan office markets are attractive to tenants for a range of reasons including proximity to home, lower commuting times, high levels of suburban amenity as well as lower occupancy costs of rent, outgoings and car parking. The metropolitan office markets do not suffer the supply shocks of major CBD office markets with smaller buildings in disparate locations more the norm (as opposed to a 100,000 square metre tower). Redundant, vacant office space is less likely to remain idle in metropolitan markets as conversion to alternative use is readily achieved.

The commercial property markets in Australia continue to enjoy elevated levels of transaction volumes as both domestic and international capital compete for prime assets. Over the past twelve months approximately \$30 billion of commercial real estate has transacted, official and market interest rates have firmed and the combination has served to see market yields firm on investment grade assets, particularly prime CBD office towers. Comments have persisted about the disconnect between a soft leasing market and a strong investment market but quality assets are regarded as unlikely to carry much vacancy for a long period and even with some vacancy, the returns have usually proven superior and more stable than other investment categories. A recent trend worth noting is the movement of investment capital from CBD to non-CBD office markets. Savills Research note sales turnover in non-CBD office markets has grown from \$2 billion in 2009 to \$5.8 billion in 2015 with institutional investors increasing their activity from \$323 million in 2009 to \$2 billion in 2015. Investment capital appears to be attracted to the yield differential between CBD and non-CBD markets which Savills Research currently estimate to be in a range of 25 basis points to over 100 basis points. On average, non-CBD investment yields have averaged between 50 and 75 basis points higher than CBD office investment yields. Market yields in office markets globally typically range between 2% and 7%. Gateway cities such as New York, London and Hong Kong currently offer investment yields in the order of 3% to 4%. In this context, investment yields in Australian office markets look particularly attractive.

Australia has recently enjoyed a decade of substantial investment to increase the output from mining. As this investment winds down, the Reserve Bank of Australia has progressively lowered the level of official interest rates to 50-year lows to stimulate demand in the non-mining sectors of the economy. Whilst this can be expected to bolster demand in all office markets, the non-mining office markets of Melbourne, Sydney, Canberra and Adelaide may be expected to see stronger levels of demand leading to stronger rental growth. Brisbane too can expect to benefit from growth in non-mining demand and a recovery in demand from government. The outlook for employment, business investment, manufacturing and both imports and exports has softened. White collar employment growth however, is finally forecast to be higher than the last decade and can be expected to result in improving levels of demand to occupy office space.

The next 12 months may see private investors and syndicates finding it difficult to compete with the larger local funds and foreign investors for well positioned assets as tightening yields may price many out of the market. Investment capital locally is being accumulated in superannuation and in private and institutional funds both listed and unlisted. Private syndicates, high net worth investors, owner occupiers and developers are actively seeking opportunities. The fall in the Australian dollar against the US dollar from a high of \$1.10 has substantially enhanced the return profile of Australian commercial property in the eyes of foreign investors. Over \$100 billion is currently available from offshore investors should suitable investment become available in Australian office markets. This weight of capital is attracted to the current yield spread between five year bonds (at approximately 2.0 percent) and commercial property (at

4. Independent Market Report (continued)



between 300 and 600 basis points higher). Metropolitan office markets are popular with investment capital due to many factors that often mitigate risk in commercial property investment. The size of the investment (typically under \$100 million) makes metropolitan office markets more liquid for investors, the higher yields and higher emphasis on income returns, the diversity of tenants, the size of tenants and the difficulty in supplying more space alters the risk profile. Also, worth noting is the ready acceptance of conversion of redundant space to alternative uses maintaining vacancy at lower levels.

Looking to each of the office markets as they pertain to the assets in this portfolio, Savills Research make the following observations.

Adelaide

Adelaide is the capital of South Australia which is a centre of export-related industries, national headquarters of several companies and branch office representation of national and international firms.

Office Development Activity

In the Adelaide CBD, the market has been characterised by limited new (major) development activity during the last three years with only one significant project (greater than 10,000 square metres). There are currently four projects underway, split between new builds and refurbishments projects. The most significant in size is the new headquarters for People's Choice Credit Union at 50 Flinders Street of approximately 20,500 square metres. Recently completed, approximately 75 percent of the building is pre-committed to People's Choice Credit Union and Santos.

Preparation works have begun on the corner of Frome and Flinders Streets. Grant Thornton Australia pre-committed to lease approximately 1,500 square metres in the new circa 4,000 square metre building and will be relocating from their current Greenhill Road premises when complete. The development is expected to be completed by the end of 2016.

Table 3 Current Adelaide CBD Office Development Activity

Property	Precinct	NLA (sq m)	Type	Status	Completion	Major Tenant
50 Flinders St	CBD	20,500	New	C	2015	People's Choice C/U*
115 King William St	CBD	6,900	New	UC	2016	
Cnr Frome and Flinders	CBD	4,000	New	UC	2016	Grant Thornton*

Source: Savills Research *Pre-commitment UC: Under Construction

Leasing Activity

In the central Adelaide office market, over the 12 months to December 2015, Savills Research identified 70,950 square metres of leasing activity. This is down on the five year average of 86,757 square metres. The majority of these leases (approximately 53 percent of space leased) were in the Adelaide Core precinct. Approximately 60 percent of the deals reported in the 12 months to December 2015 period were new tenants, while approximately 34 percent were renewals.

The number of leasing transactions has increased suggesting occupiers are relocating, consolidating and expanding while also using the current cycle to upgrade existing accommodation. The majority of tenant activity is in the less than 1,000 square metre range. Of the 70,950 square metres reported leased in central Adelaide in the 12 months to December 2015, the 'Government' and 'Property and Business Services' sectors were the most active.

Vacancy

4. Independent Market Report (continued)



The latest figures show the overall office vacancy rate in Adelaide increased by 0.6 percentage points over the 12 months to January 2016 and currently sits at 14.1 percent. Adelaide vacancy has largely experienced an upward trend and is currently at a cyclical high of 14.1 percent. Approximately 70,000 square metres of office vacancy in the Adelaide CBD is effectively redundant and cannot be occupied without significant refurbishment. If we were to allow for this then the office vacancy in Adelaide is effectively 9.5 percent. Savills Research believes this is more reflective of the current state of the market.

Sales Activity

In the Adelaide CBD, Savills Research recorded approximately \$260 million worth of office transactions in the 12 months to December 2015. This is down from the \$544 million recorded the previous year. During the same period 29 properties were sold. Sales evidence from the last 24 months points to an increase in buyer activity by large institutional and private investors compared with prior years.

A notable sale in the Adelaide CBD concerned the 12,300 square metre tower at 100 Waymouth Street. Built in 1989 and substantially refurbished in 2013, the building is fully let and was sold for \$73 million reflecting a capital value of \$5,932 per square metre and a yield of 6.775%. The building was sold by Cromwell to a Singaporean buyer.

While the value of transactions is down, it is reflective of the lower number of major asset sale opportunities that were presented during the last 12 months.

As at December 2015, Premium grade yields within the Adelaide CBD precinct were shown to range between 7.25% and 8.00%, and A grade yields ranged between 8.00% and 8.50%. Yields for this grade of office space have firmed as investor appetite has increased. Secondary grade yields are estimated to range between 8.75% and 9.75%.

Outlook

In Adelaide, with limited options for occupiers of prime office space, the volume of available space is expected to continue to ebb and flow as the quality of stock in the market continues to improve. This may place some pressure on face rents as higher incentives or abatements are provided to tenants seeking this type of space. After coming off a reasonably buoyant 12 months in regards to investment sales, investor appetite is expected to remain elevated.

Parramatta

Sydney is the capital of New South Wales. As well as the CBD office market, Sydney has the most highly developed metropolitan office markets in Australia. Parramatta is one such metropolitan office market. Sydney and its metropolitan markets have a higher than average representation of service-based financial services and global financial services.

Office Development Activity

In Parramatta, Savills Research is currently tracking approximately 116,000 square metres of new and refurbished office stock in the supply pipeline, most of which is awaiting pre-commitment prior to commencing construction. As such, much of this future supply is considered long-term planning. Other development projects can be expected to proceed in subsequent years only after a substantial level of pre-commitment.

Parramatta Council owns a number of development sites in the Parramatta CBD, totalling approximately eight hectares of land. One of the development sites, the Parramatta Square project, has commenced construction with the redevelopment of 169 Macquarie Street, known as One Parramatta Square or 1PSQ.

4. Independent Market Report (continued)



One Parramatta Square is located at the eastern boundary of the site, north of the existing Sydney Water building. Once complete the building will offer approximately 24,500 square metres of net lettable area across 14 commercial floors, plus ground level retail space. The University of Western Sydney recently committed to the site and they plan to build a new student campus facility that will be home to an estimated 10,000 students. Construction work is expected to be completed for the first university semester in 2017.

Table 4 Current Parramatta Office Development Activity

Property	Precinct	NLA (sq m)	Type	Status	Completion	Major Tenant(s)
169 Macquarie St	Mid City	24,500	New	UC	2016	UWS

Source: PCA / Savills Research

UC: Under Construction

Leasing Activity

In the Parramatta office market, over the 12 months to December 2015, Savills Research identified 31,437 square metres of leasing activity. This is down 18 percent on the previous year but up on the five year average (28,430 square metres). Of the 31,437 square metres reported leased in the Parramatta office market in the last 12 months, 'Finance and Insurance' was the dominant sector, accounting for 71 percent of the stock, or 21,964 square metres.

Vacancy

The latest figures shows the overall vacancy rate in Parramatta decreased by 0.7 percentage points over the 12 months to January 2016 and currently sits at a low 5.6 percent. Parramatta vacancy has largely experienced a downward trend since July 2010, where vacancy reached a cyclical high of 10.8 percent.

The only substantial current supply to the Parramatta office market is fully pre-committed. No new vacant office space is currently being delivered to the market. Even with a pre-commitment, realistically, no new office space of any substance could be delivered to the market before late 2017. The office market in particular is forecast to deliver strong rental growth generated by a near zero A Grade office vacancy.

Sales Activity

In Parramatta, Savills Research have recorded approximately \$243 million worth of office transactions in the 12 months to December 2015. This is down 63 percent from \$665 million in the previous year, and down on the five year average of \$301 million.

Market yields in Parramatta as at December 2015 typically range from 6.25% to 7.00% for A Grade buildings and between 7.50% and 8.50% for secondary grade buildings. Average A Grade yields are currently 6.50%, a 87.5 basis point firming over the last 12 months.

Outlook

The Parramatta CBD has seen a surge of residential and commercial development in recent years. This should contribute to strong population growth for the region and an increase of much needed A Grade office supply. If the potential development pipeline is realised, the Parramatta landscape is expected to go through a significant transformation over the next decade. Savills expects the broader commercial property market in Parramatta to continue to generate strong investment returns. The office market in particular is forecast to deliver strong rental growth generated by a near zero A Grade office vacancy.

Over the next 12 months, Savills Research anticipates metropolitan office investment activity to continue to remain

4. Independent Market Report (continued)



strong, with sales activity in Parramatta expected to increase as acquisitive buyers are attracted to the market. Demand from buyers remains strong for assets with a lease expiry of over 10 years, especially to Government tenants.

Parramatta has the ability to become a key centre for office development given the availability of land and continued tenant interest; however, generating tenant demand outside of Government departments remains one of the keys to income growth in the Parramatta office market.

North Ryde

Sydney is the capital of New South Wales. As well as the CBD office market, Sydney has the most highly developed metropolitan office markets in Australia. North Ryde is one such metropolitan office market. Sydney and its metropolitan markets have a higher than average representation of service-based financial services and global financial services.

Office Development Activity

In the North Ryde office precinct there are currently no office buildings under construction.

The largest completed development throughout 2015 was the 11,400 square metre redevelopment at 1 Thomas Holt Drive, North Ryde. Completed in September 2015, the AMP Capital owned development is fully pre-committed by Metcash.

Table 5 Recent North Ryde Office Development Activity

Property	Precinct	NLA (sq m)	Type	Status	Completion	Major Tenant(s)
1 Thomas Holt Dr	North Ryde	11,400	Refurb	C	2015	Metcash
52-54 Waterloo Rd	North Ryde	10,000	New	C	2015	Novartis

Source: PCA / Savills Research

UC: Under Construction

There has been a reduction in the amount of stock in the supply pipeline in North Ryde over the last 18 months. There is now just over 100,000 square metres of new stock in the supply pipeline, as a number of projects have been removed and they are now proceeding as residential developments. Most of the commercial developments are still awaiting pre-commitment prior to commencing construction, and as such most of this future supply is considered long-term planning.

Leasing Activity

In the North Shore office market, over the 12 months to December 2015, Savills Research identified 34,884 square metres of leasing activity. This is down 40 percent on the 12 months prior, and down on the five year average (85,937 square metres). The majority of these leases, approximately 47 percent of space reported leased was in the North Ryde precinct. In North Ryde, new tenants to the area such as Ricoh, Attaché Software and Steinhoff have helped push net absorption to over 25,567 square metres for the 12 months to January 2016.

Of the 34,884 square metres leased across the combined North Shore market in the last 12 months, 'Property and Business Services' was the dominant sector, accounting for 27 percent of the stock reported leased, or 9,392 square metres.

Vacancy

The overall vacancy rate in North Ryde decreased by 2.8 percentage points over the 12 months to January 2016 and

4. Independent Market Report *(continued)*



currently sits at a low 8.2 percent. The overall vacancy in North Ryde continues to fall from a recent cyclical high of 11.2 percent. Ongoing withdrawal of vacant office space for conversion to alternative uses has the potential to keep vacancy low into the foreseeable future. Like the Parramatta office market, the only substantial supply to the North Ryde office market is likely to be substantially pre-committed. No new vacant office space is currently being delivered to the market. Even with a pre-commitment, realistically, no new office space of any substance could be delivered to the market before late 2017.

Sales Activity

In Sydney's North Shore, Savills Research recorded approximately \$1.84 billion worth of office transactions in the 12 months to December 2015. This is commensurate with the \$1.85 billion in the previous year and significantly higher than the five year average of \$1.3 billion.

An intention to convert to residential use has resulted in over \$500 million of commercial buildings being purchased across the combined North Shore markets over the last 12 months. This trend has also been reflected in the Sydney CBD office market over the last 12 months. The majority of the North Shore purchases have been made by overseas developers looking to capitalise on high demand for residential property in Sydney by purchasing commercial buildings at the end of their current life cycle.

Foreign investors have been the most active in the investment market in the 12 months to December 2015, purchasing 48 percent of office stock sold (or \$900 million) in the North Shore.

Market yields in North Ryde as at December 2015 typically range from 6.75% to 7.00% for A Grade buildings.

Outlook

In the North Shore office markets, future supply remains somewhat constrained, with current market conditions making it highly unlikely that any projects will proceed without substantial pre-commitments. Recent strong growth in A Grade rents in North Sydney highlights the limited number of options currently in the market.

Investor interest in the North Shore market is expected to remain strong, with the second highest level of sales over the last decade being recorded in the last 12 months. Savills note that part of this interest is from local and overseas funds and developers seeking commercial assets with residential or hotel development upside.

Melbourne

Melbourne is the capital of Victoria and has a high level of superannuation financial services. Telecommunications is well represented in Melbourne through the presence of Telstra, the NBN and Optus. Melbourne, like Sydney, has a large and diverse metropolitan office market. Fringe CBD office markets include St Kilda Road, Southbank and Docklands.

Melbourne is the third largest international student city in the world behind London and New York with no less than thirteen Universities having a presence in the CBD as well as a plethora of training colleges and other educational establishments.

Office Development Activity

The Melbourne CBD has provided in excess of 750,000 square metres of new or refurbished office accommodation over the last ten years, with almost 400,000 square metres of that net after factoring in the withdrawal of some stock (primarily to alternative uses and redundancy). Albeit at a slower pace, the CBD has been able to provide almost 170,000 square metres of those net additions since 2007. Over the last ten years, the CBD fringe markets of Southbank and Docklands have added similar levels of new or refurbished office accommodation as the CBD, with

4. Independent Market Report (continued)



very little stock withdrawn over the same period.

The majority of forecast new office supply continues to have a focus in the Docklands precinct located at the South West corner of the CBD. Docklands has attracted a number of large tenants into newly developed, prime grade space at competitive rents. Collins Square is currently being developed by Walker Corporation, and has become the new home to the Australian Taxation Office, Marsh Mercer, Commonwealth Bank and Pearson Publishing. The third and fourth significant towers on the site are under construction with pre-commitments to KPMG and Maddocks lawyers, and Link Group respectively.

Table 6 Current Central Melbourne Office Development Activity

Property	Precinct	NLA (sq m)	Type	Status	Completion	Major Tenant(s)
Tower 3, 727 Collins St	Docklands	55,000	New	UC	2016	KPMG, Maddocks
Tower 4, 727 Collins St	Docklands	38,000	New	UC	2016	Link Group/AECOM
525 Collins St	CBD	6,000	New	UC	2017	Bank of Melbourne
102 Sturt St	Southbank	31,663	New	UC	2017	ABC
2 Riverside Quay	Southbank	21,000	New	UC	2017	PriceWaterhouse Coopers
664 Collins St	Docklands	25,000	New	DA	2018	Pitcher Partners
271 Spring St	CBD	15,000	New	DA	2017	Australian Unity

Source: PCA / Savills Research UC: Under Construction

The CBD fringe office market of Southbank has PriceWaterhouse Coopers new head office under construction at Mirvac's 2 Riverside Quay. The CBD fringe office market of St Kilda Road has seen no substantial supply of office space since 1994 and in fact the withdrawal of office space for conversion to residential use is more prevalent. This is a trend Savills Research see continuing into the future maintaining the office vacancy rate at lower levels. The declining number of very large tenants in the St Kilda Road office precinct substantially reduces the risk of large amounts of vacancy becoming available at the one time. The market is now made up substantially of smaller tenants making the filling of smaller vacancies easier and less risky to the cashflow of a building.

Leasing Activity

In Central Melbourne (CBD, St Kilda Road, Southbank and Docklands), Savills Research recorded 151,460 square metres of office space leased over the twelve months to December 2015. This is down 60 percent on the result for the previous corresponding twelve month period, and remains substantially down on the prior five year average of 370,117 square metres.

Pre-commitment activity of 60,500 square metres over the twelve months to December 2015 is an increase on the 36,200 square metres recorded for the previous corresponding period. Pre-commitment levels remain below the prior five year average of 65,925 square metres. In the last twelve month period there have been two pre-commitments in the traditional CBD grid – 271 Spring Street to Australian Unity and Bank of Melbourne at the Podium at The Rialto at 525 Collins Street. On the fringe of the CBD, Walker Corporation's Collins Square development in Docklands has attracted Maddocks Lawyers to the third tower, and also secured the Link Group and AECOM as the major tenant to the fourth of five towers in the project. Mirvac have also attracted Pitcher Partners to anchor a new building at 664 Collins St in Docklands.

Of the 151,460 square metres reported leased in the Central Melbourne office market in the last 12 months, the 'Property & Business Services' sector was the dominant sector, leasing 42 percent of the stock, or 63,613 square metres.

4. Independent Market Report *(continued)*



Vacancy

The overall vacancy rate in the St Kilda Rd office precinct decreased by 0.9 percentage points over the 12 months to January 2016 and currently sits at 8.9 percent. St Kilda Rd office vacancy has largely experienced a downward trend from a peak of 13.2 percent in January 2011. As demand continues to grow, the lack of supply of office space is expected to keep market metrics buoyant into the immediate future. The withdrawal of redundant office space for conversion to residential is expected to keep the fundamentals of the office market positive into the foreseeable future.

Sales Activity

The St Kilda Rd office precinct has averaged total sales of over \$220 million per annum over the last decade. In fact, the volume of transactions have exceeded this figure over the past three years demonstrating the attractiveness of the precinct to investors.

Following significant transactions by value in the last twelve months, developers were the most active purchaser for the period, but only slightly ahead of private and foreign investors who remain very active. Looking at sales activity totalling \$1.426 billion in the precinct over the past five years, developers (\$341 million), private investors (\$395 million) and foreign investors (\$263 million) account for 70 percent of sales activity in the precinct. Developers are clearly attracted to the conversion opportunities whilst foreign investors and private investors are attracted to the higher income returns.

Market yields in the St Kilda Rd office precinct as at December 2015 are estimated to generally range between 7.00% and 7.25% for A Grade buildings, and between 7.50% and 8.00% for secondary grade buildings. Average yields for A Grade buildings currently average 7.12%, a firming of 50 basis points over the year.

Outlook

In Melbourne, new office supply has entered the market in fringe locations, particularly Docklands, with much of the stock fully pre-committed by major tenants previously located in the CBD grid. Prior to completion there were many commentators forecasting double digit vacancy rates in the Melbourne CBD. Not only did the vacancy rate peak at lower levels than pundit forecasts, it has fallen earlier and faster than they forecast. Comparatively lower levels of new office space construction, coupled with the desire of tenants to upgrade into better quality office space incorporating efficiency and the latest ESD principles saw office vacancy rates peak at 9.8 percent. With major withdrawals of office stock yet to begin, total vacancy should remain under downward pressure with confidence returning as a recovery in demand accelerates. The St Kilda Rd office precinct has enjoyed firming levels of demand as the economic recovery gathers pace driven by a low interest rate environment. Typical occupiers in the precinct are buoyed by current conditions. The withdrawal of space for conversion to residential and other alternative uses is expected to keep the supply of vacant office space in the precinct to a minimum into the foreseeable future.

Brisbane

Brisbane is the capital of Queensland which is a centre of export-related industries, mining, tourism, and the national headquarters of several companies and branch office representation of national and international firms. The Brisbane CBD houses the second largest concentration of mining companies and mining services companies in Australia.

Office Development Activity

In the Brisbane CBD, construction continues on two office buildings and at this stage completion times are likely to be the first quarter of 2016 for 480 Queen Street and the third quarter of 2016 for 1 William Street. "180 Brisbane" was completed in the fourth quarter of 2015.

4. Independent Market Report (continued)



In regards to pre-commitments for these office buildings, 480 Queen Street has been very successful in attracting prospective tenants with less than 30 percent remaining to be filled. The "180 Brisbane" development has secured the Commonwealth Bank as an anchor tenant while 1 William Street is under a head lease commitment from the Queensland Government for the entire project.

Table 7 Current Brisbane CBD Office Development Activity

Property	Precinct	NLA (sq m)	Type	Status	Completion	Major Tenant(s)
180 Brisbane	Uptown	58,966	New	C	2015	Commonwealth Bank
480 Queen Street	Financial	55,000	New	UC	2016	BHP
1 William Street	Government	75,000	New	UC	2016	State Government

Source: Savills Research UC: Under Construction

Leasing Activity

In the Brisbane CBD over the 12 months to December 2015, Savills Research identified 52,239 square metres of leasing activity. This is down 40 percent on the 12 months prior, and down on the five year average (104,501 square metres). However, leasing enquiry has been strengthening, indicating firms are starting to think about their accommodation going forward but the heightened levels of enquiry have not translated into heightened leasing activity as business confidence has not fully recovered.

Larger tenants in the Brisbane CBD are holding some surplus office space as a result of becoming leaner organisations during the GFC period so there is some spare capacity to house new staff within those organisations as the economic recovery gains momentum.

However, smaller firms are demonstrating greater confidence and there has been a noticeable climb in the number of leasing transactions for under 500 square metres of office space over the last two to three years. Savills Research only reports information on transactions greater than 500 square metres but unreported data reveals that more 12,000 square metres of office space was taken up by tenants averaging 250 square metres. Many of these small tenants are finding their accommodation in the secondary office space, attracted by competitive rents and incentives. With effective rents in secondary stock now at the same level as a decade ago, CBD accommodation is regarded in the market as quite affordable.

The 'Property and Business Services' sector was dominant in leasing activity in the year to December 2015, leasing 34 percent of the space taken.

Vacancy

The overall vacancy rate in Brisbane decreased by 0.6 percentage points over the 12 months to January 2016 and currently sits at 14.9 percent. Brisbane vacancy has largely experienced an upward trend and is currently just below its cyclical high of 15.5 percent. Having been subject to subdued demand and an increase in supply of new office space, the next phase in the cycle for Brisbane CBD is the withdrawal of redundant office space for alternative use. To this end, the Property Council of Australia and the Brisbane City Council have engaged with commercial agencies, planners, architects, building owners and other property professionals to look at the implications that the highly successful Melbourne CBD Postcode 3000 project would have for the Brisbane CBD. It encompasses a wide variety of possible initiatives including improved connectivity across the CBD and city fringe, spread of the business centre, increasing the active hours of the city, a safe city and most importantly explores opportunities for alternate use of ageing secondary office buildings.

4. Independent Market Report (continued)



The Brisbane City Council has already been looking at a number of city enhancement initiatives through the laneway program, better lighting, planning flexibility and more recently, facilitating student accommodation through the reduced infrastructure fees. One outcome that is anticipated is alternate uses for ageing secondary office buildings to reduce office vacancy. An associated benefit would be a more vibrant city that is active more hours in the day, encouraging residents and visitors to come out and enjoy the city's improved amenity which will include the Howard Smith Wharves redevelopment and the proposed Queens Wharf precinct.

Sales Activity

In the Brisbane CBD, Savills Research have recorded approximately \$1.145 billion worth of office transactions in the 12 months to December 2015. This is up 62 percent from \$705 million in the previous year, and commensurate with the five year average of \$1.287 billion.

Interest continues to be strong for investment grade office properties with good leasing profiles. Competition for this product is seeing some compression in yields despite the current high vacancy in the CBD. The only limitation is the availability of such stock on the market. Accordingly, investment criteria have reduced slightly bringing the better secondary stock with strong leases into the focus of institutional investors and foreign investors, who together comprised 97 percent of the buying activity over the past year.

As at December 2015, Premium grade yields within the Brisbane CBD precinct were shown to range between 6.25% and 6.75%, and A grade yields ranged between 6.75% and 8.00%. Secondary grade yields are estimated to range between 8.50% percent and 9.75%.

Outlook

In Brisbane, elevated office vacancy levels are expected to be resolved in the positive as employment forecasters predict a return to jobs growth in the CBD from the start of 2016, although not to the levels previously seen. If reliant on employment growth alone, it could take a decade to see vacancies get down to a level of balanced supply of around six percent. However, the withdrawal of office space for conversion to alternative use is forecast to accelerate the fall in vacancies and assist an accelerated recovery in the Brisbane CBD office market.

Canberra

Canberra is the capital of Australia hosting large federal Government departments, embassies, consulting firms and lobby groups.

Office Development Activity

The Canberra office market has undergone a flurry of construction activity in recent years. However, 2015 delivered less than 20,000 square metres of new and refurbished office stock to the market. This is one of the lowest levels of stock supply to the market in the last decade. Indeed, due to the recent construction levels it is reasonable to expect little in the way of new supply in the foreseeable future. There are currently no office buildings under construction in Canberra.

Table 8 Recent Canberra Office Development Activity

Property	Precinct	NLA (sq m)	Type	Status	Completion	Major Tenant(s)
50 Blackall St	Barton	4,727	Refurb	C	2015	
63-67 Constitution Ave – Stage 2	Campbell	1,200	Refurb	C	2015	
Keltie St	Phillip	600	Refurb	C	2015	

4. Independent Market Report (continued)



Source: PCA / Savills Research

UC: Under Construction

Leasing Activity

In the Canberra office market, over the 12 months to December 2015, Savills Research recorded 113,473 square metres of leasing activity. This is triple what was recorded 12 months prior, and up on the five year average (81,570 square metres). The majority of these leases (51 percent of space) occurred in the Civic precinct.

Of the 113,473 square metres reported leased in Canberra in the last 12 months, the 'Government' sector was dominant, concluding 94 percent of activity, or 106,839 square metres.

Some of the factors affecting demand in the Canberra office market include the movement of Commonwealth tenants into new 'Green' buildings, the Department of Finance policy reducing work space ratios in the Public Service (with much of any new demand satisfied by the resultant sublease space), the 'Efficiency Dividend' policies in the 2012, 2013 and 2014 Commonwealth Government Budgets, and the general reduction in Commonwealth Government activity having a flow-on effect to private sector businesses that rely on Government work. The fall in jobs, mainly concentrated in the public sector, is reflected in the higher vacancy rate.

Vacancy

The overall vacancy rate in Canberra increased by 0.5 percentage points over the 12 months to January 2016 and currently sits at 14.9 percent. The office market is now starting to witness the full impact of the move by tenants over recent years from older buildings into "Green" credentialed buildings constructed during the recent development phase, and the impact of low levels of Commonwealth Government leasing activity.

Sales Activity

In Canberra, Savills Research has recorded approximately \$531 million of office transactions in the 12 months to December 2015. This is significantly up from \$249 million in the previous year.

Foreign investors were the most active in the investment market for the year ending December 2015, accounting for 45 percent of the stock purchased (or \$225 million worth of office transactions).

Market yields in Canberra Civic as at December 2015 typically range from 5.75% to 7.75% for A Grade buildings, and between 8.00% and 10.50% for secondary grade buildings. The average A Grade yield is currently 7.00%; a 75 basis point fall over the last 12 months.

Outlook

The Canberra office market is now at the end of a period of robust levels of stock additions, which has been the trend for a number of years. Despite equally remarkable levels of net absorption, the flight to quality by large space users and a reduction in Commonwealth Government leasing activity, upward pressure on the overall vacancy rate, which now sits at historically high levels, has been maintained. However, investor interest in A Grade office stock, especially those subject to long-term leases to the Commonwealth Government, is expected to remain strong.

Yours sincerely

A handwritten signature in black ink, appearing to read "Tony Crabb".

Tony Crabb
National Head, Research



Five Management of the Fund

5. Management of the Fund

5.1. Overview of Australian Unity

5.1.1. Overview

The Australian Unity Group is a national healthcare, financial services and retirement living organisation that provides services to around 1,000,000 Australians. For the year to 30 June 2015, Australian Unity generated \$1.4 billion in annual revenue, and, as at 31 December 2015, it had approximately 300,000 members, approximately 6,500 employees¹ and was Australia's 22nd largest private company.

The Australian Unity Group is a mutual company which operates across four primary business units:

- **Australian Unity Investments** is a cohesive financial services platform, providing investment, banking and life stage solutions. Its in-house real estate fund manager expertise is complemented by joint ventures with specialist professionals in fixed income and equities. As at 31 December 2015, it had more than \$9.6 billion in funds under management, advice and administration.
- **Australian Unity Healthcare** provides private health insurance, as well as prevention and care services to around 200,000 Australians, as at 31 December 2015.
- **Australian Unity Independent & Assisted Living** offers a range of retirement and aged care accommodation, including independent living in home units, assisted living, home care service, day respite care and residential aged care. As at 31 December 2015 this included providing approximately 2,200 residential aged care places with allied health services, and directly operating more than 600 aged care places across 19 retirement communities.
- **Australian Unity Personal Financial Services** provides trusted ('fee-for-service') financial advice based on developing a mutual understanding to achieve personal and financial goals. It operates independently of major banking and life institutions and, as at 31 December 2015, had 102 planning practices, 185 advisers and 24 mortgage brokers in its network.

5.1.2. Australian Unity Real Estate Investment

The Investment Manager and Property Manager to be appointed by AUIRE, AUFML and AUPM respectively, are associated with Australian Unity Real Estate Investment. Established in 1998, Australian Unity Real Estate Investment is the property funds management business of the Australian Unity Group.

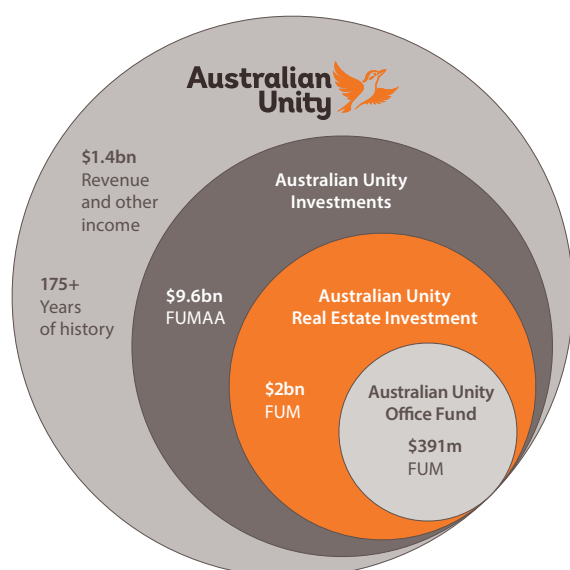
Australian Unity Real Estate Investment is a well-established investment manager of commercial property and lending products and services. As at 31 December 2015, through its unlisted property funds, Australian Unity Real Estate Investment owned and managed more than 50 properties in the healthcare, retail and office sectors across Australia and had approximately \$2 billion in funds under management.

In 2013, Australian Unity Real Estate Investment was awarded the Direct Property Fund Manager of the Year from Professional Planner/Zenith Investment Partners reflecting the team's experience and outstanding track record over an extended period. In 2014, Australian Unity Real Estate Investment was a finalist for the same award.

The Australian Unity Real Estate Investment team comprises staff specifically responsible for funds management, property management, capital markets transactions, treasury, finance and legal functions. Its expertise is complemented by the diversified resources of the wider Australian Unity Investments business division, providing long term business support and institutional oversight. These capabilities and resources enable the AUFML and AUPM to effectively execute the Fund's strategy, and to deliver on its key objectives.

Importantly, Australian Unity Real Estate Investment adopts an active management approach to its properties, with a focus on developing strong relationships with tenants.

Snapshot of Australian Unity Group²:



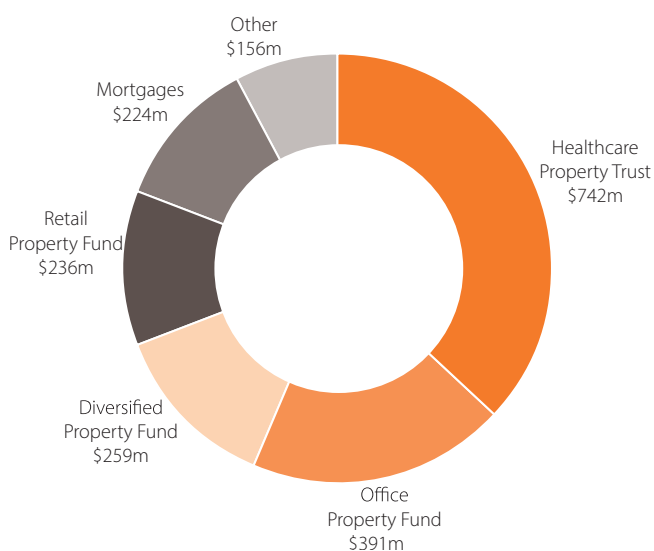
¹ This number includes the operations of the Home Care Service of NSW, transferred on 19 February 2016.

² As at 31 December 2015, other than for 'Revenue and other income', which is at 30 June 2015, and for the Fund, which is based on the independent valuations as at 30 April 2016.

5. Management of the Fund (continued)

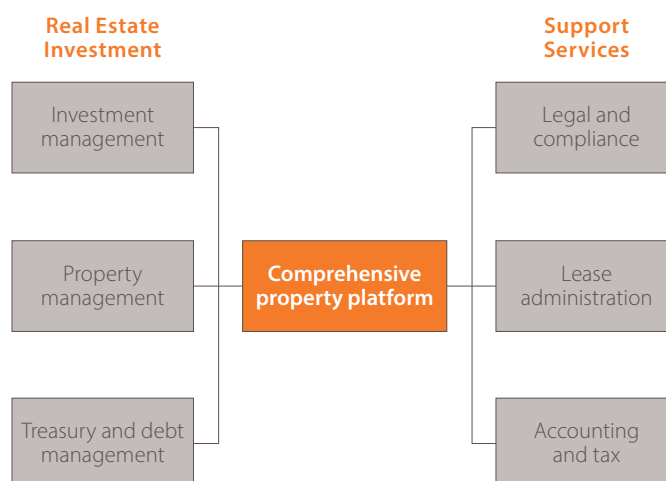
The chart below provides a breakdown by fund of Australian Unity Real Estate Investment's funds under management (as at 31 December 2015):

Breakdown by fund of Australian Unity Real Estate Investment's FUM¹



The Australian Unity Real Estate Investment platform integrates real estate investment services with support services from Australian Unity Investments, as demonstrated in the diagram below.

Australian Unity Real Estate Investment platform



The table below describes the key functions in detail:

Function	Description
Real Estate Investment	
Investment management	<ul style="list-style-type: none"> Responsible for the performance of the Fund through AUFML Develop, implement and review the Fund strategy and investment mandate Create and change property allocation where necessary to optimise investment returns Optimise debt and equity levels to enhance investment performance Assess and coordinate acquisition and disposal opportunities Manage the Unitholder register Report to and communicate with key stakeholders about Fund strategy and performance Develop annual Fund budgets
Property management	<ul style="list-style-type: none"> Responsible for the performance of individual properties through AUPM Develop, implement and review property strategies Coordinate and manage the leasing of properties Maintain and manage key tenant relationships Provide rent review services Supervise capital works Provide financial management services in relation to managing rent, lease deposits and other property-related charges Develop annual property budgets
Treasury and debt management	<ul style="list-style-type: none"> Negotiate and manage debt agreements Develop, implement and review interest rate hedging policy Monitor debt compliance Maintain key debt provider relationships

¹ As at 31 December 2015, other than the Fund, which is based on independent valuations as at 30 April 2016.

5. Management of the Fund (continued)

Function	Description
Support Services from Australian Unity Investments	
Legal and compliance	<ul style="list-style-type: none">• Develop, implement and review the Fund's compliance plan and governance requirements• Monitor legislation changes and requirements• Provide ongoing legal advice and support
Lease administration	<ul style="list-style-type: none">• Arrange and manage lease execution process• Review and implement critical dates• Ensure lease terms are consistent with compliance requirements• Maintain and manage a lease document register
Accounting and tax	<ul style="list-style-type: none">• Manage and maintain management accounts• Prepare consolidated statutory accounts and notes• Monitor tax and review tax changes• Prepare annual tax returns• Process transactions and monitor cashflow

5.2. The Responsible Entity, Investment Manager and Property Manager

5.2.1. Responsible Entity

Subject to the Resolutions being passed by Existing Investors at the Unitholder Meeting, the Responsible Entity will be Australian Unity Investment Real Estate Limited ('**AUIRE**'), a wholly owned subsidiary of Australian Unity. AUIRE holds an AFSL (No. 477 434) which authorises it to provide financial services to the extent required under this PDS. It has also applied for a variation of licence to act as the Responsible Entity of the Fund that will be in place prior to Allotment if the Offer completes.

AUIRE's powers, rights and liabilities in relation to the Fund are governed by the Corporations Act and the Constitution.

Australian Unity will give the Fund access to a dedicated management team which will be supported by the broader resources of the Australian Unity Group, under the terms of arrangements with Australian Unity.

5.2.2. Investment Manager

AUFML is an entity within the Australian Unity Group that undertakes investment activities, known generally as Australian Unity Investments.

AUFML is the current Responsible Entity and following AUIRE replacing it as Responsible Entity, AUFML will be appointed Investment Manager of the Fund under the Investment Management Agreement (see Section 13.5).

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





5.2.3. Property Manager

Following AUIRE's appointment as Responsible Entity, AUPM will be appointed Property Manager under the Property Management Agreement to provide property management services to the Fund (see Section 13.6). AUPM is currently providing property management services to the Fund under a separate management services agreement which will terminate at the time of commencement of the Property Management Agreement.

5. Management of the Fund *(continued)*

5.3. Board of AUIRE

The Board of AUIRE comprises five Directors, two of whom are independent non-executive directors, including an independent Chairman. As at the date of this PDS, the Directors of the Board of AUIRE are:

Director/Position	Experience, qualifications and expertise
 (William) Peter Day Independent Director and Chairman	<p>Mr Day's professional career includes senior executive roles in finance and general management in mining, manufacturing, food and financial services industries at companies including Bonlac Foods, Rio Tinto, CRA Limited and Comalco. He was Chief Financial Officer for Amcor for seven years until 2007.</p> <p>Mr Day is a former non-executive director of Federation Centres Limited (2009-2014), former Chairperson of Orbital Corporation Limited (2007-2014), former Chairman of the Australian Accounting Standards Board and was Deputy Chairman of the ASIC. He currently is a non-executive director of several ASX-listed companies, including Alumina, Ansell, Boart Longyear, SAI Global and is a member of the Takeovers Panel.</p> <p>Mr Day's educational background includes a Bachelor of Laws LLB (Hons) from Queen Victoria University in Manchester, England, and a Master of Administration from Monash University in Melbourne. He is a Chartered Accountant (FCA) and an FCPA.</p>
 Don Marples Independent Director	<p>Mr Marples is an experienced director in both the public and private sectors, with more than 30 years' experience in senior management positions working in real estate funds management, infrastructure, construction, banking and investment banking.</p> <p>Mr Marple's current Boards include NSW Crown Holiday Parks Trust, Northern Sydney Local Health District, and MPC Funding Limited.</p> <p>Previously, Mr Marples was Joint Managing Director at Fortius Funds Management (2006-2009) and General Manager/Global Head of Project, Finance & Infrastructure at the Commonwealth Bank (1999-2006). He also held the positions of Chief Executive, Project Finance and Executive Director, Lend Lease Capital Services at Lend Lease Group (1991-1999).</p> <p>Mr Marples is a Senior Fellow of the Financial Services Institute of Australia (SFFINSIA) and a Fellow of the Australian Institute of Company Directors. He holds a Masters of Commerce from the University of New South Wales.</p>
 Eve Crestani Non-executive Director	<p>Ms Crestani is a professional director and business consultant with a background in law and management. Her career spans over 35 years with her primary focus being financial services and professional services industries.</p> <p>Ms Crestani is a director of booking.com Limited, a director of Seres Capital Management Limited (Caymans) and Seres Asset Management Limited (Hong Kong) and a director of Zurich Financial Services Australia Limited and Zurich Australia Limited.</p> <p>Ms Crestani is a former non-executive director of Australian Unity Limited (1996 – 29 February 2016), and a former Chairman of Mercer Superannuation Australia Limited, and Mercer Outsourcing (Australia) Pty Limited.</p> <p>Ms Crestani is a member of the ASX Appeal Tribunal, has a Diploma of Law and is a founding fellow of the Australian Institute of Company Directors. She is a business strategist, with 25 years' experience consulting to large organisations on enterprise transformation and strategic change programs. She is highly regarded for her expertise in property strategies and specifically in the future of work and workplace concepts.</p>
 Greg Willcock Non-executive Director	<p>Mr Willcock has over 33 years' experience in banking and financial services in Australia, United States of America and the United Kingdom including seven years in general management roles at National Australia Bank in the areas of risk management, strategy and change management.</p> <p>Mr Willcock has been a director of Australian Unity since 2012 and is also the chairman of Big Sky Building Society Limited, and a director of the Customer Owned Banking Association (COBA), the industry advocate for Australia's customer owned banking sector.</p> <p>Mr Willcock holds a Bachelor of Commerce and is a Fellow of the Australian Institute of Company Directors.</p>

5. Management of the Fund (continued)

Director/Position	Experience, qualifications and expertise
 <p>Kirsty Dullahide Executive Director</p>	<p>Ms Dullahide is the General Manager, Strategy for Australian Unity Investments. In this capacity, Ms Dullahide has held leading roles in the establishment of various joint venture businesses; mergers and acquisitions; including of property and mortgage funds management businesses.</p> <p>Ms Dullahide has previously held various senior roles within funds management, insurance and banking; including within actuarial, operations, product, portfolio and treasury related functions. She has been the board member of Australian Unity Investments joint venture businesses in equities (domestic and international) and fixed interest asset management, and was recently the Chair of Altius Asset Management Limited.</p> <p>Ms Dullahide holds a Bachelor of Economics – Actuarial from Macquarie University in NSW.</p>





5.4. Dedicated management team of the Fund

Australian Unity is providing the services of AUFML and AUPM to manage the Fund, who will in turn provide access to key executives in the platform, including dedicating the key members outlined below to the management of the Fund. The majority of the management team has worked together for more than seven years on the Fund, creating strong relationships with tenants across the Portfolio. The details and experience of the dedicated management team are outlined below:

Management/Position	Experience, qualifications and expertise
 <p>Grant Nichols Fund Manager</p>	<p>Grant joined Australian Unity in 2011. He is the Fund Manager, responsible for the management and strategic direction of the Fund.</p> <p>Prior to this, Grant was a Fund Manager at Investa Property Group. Grant has over 10 years' experience in the property industry, working primarily in funds and asset management roles.</p> <p>Grant holds a Bachelor of Land Economics from the University of Technology, Sydney, a Masters of Applied Finance from FINSIA, and is a Fellow of FINSIA and a Licensed Real Estate Agent.</p>
 <p>Simon Beake Portfolio Manager</p>	<p>Simon joined Australian Unity Investments in 2011 and is responsible for the financial management of the Fund.</p> <p>Simon has over 20 years of financial and transaction experience; the last eight in property. Prior to joining Australian Unity, Simon worked at Investa Property Group for four years as a Senior Fund Analyst and has held various roles in the UK at Biwater and Cascal Services developing and acquiring international PPP (public private partnership) projects.</p> <p>Simon is a Member of the Chartered Institute of Management Accountants (UK) and holds a Bachelor of Arts (Accounting and Finance) from Lancaster University (UK) and a Masters of Applied Finance from Macquarie University, Sydney.</p>
 <p>Giovanna Reale Asset Manager</p>	<p>Giovanna joined Australian Unity in 2006, and is responsible for the asset management of the Fund.</p> <p>Giovanna has 20 years' property experience, including in management and leasing gained with leading real estate agencies and owner managers including industrial, healthcare, commercial and retail property.</p> <p>Giovanna has a Bachelor of Business in Property from RMIT.</p>

5. Management of the Fund (continued)

The management team are able to draw on the broader resources of Australian Unity, including the following key people:

Management/Position	Experience, qualifications and expertise
 <p>David Bryant Chief Executive Officer for Australian Unity Investments and Chief Investment Officer for the Australian Unity Group</p>	<p>David joined Australian Unity in 2004. He is Chief Executive Officer for Australian Unity Investments and Chief Investment Officer for the Australian Unity Group. He is responsible for Australian Unity's financial services, investment and banking activities in Australia and Hong Kong. He is a board member of many of its operating entities and Investment Joint Venture subsidiaries.</p> <p>Prior to joining Australian Unity in 2004, David was Chief Operating Officer at Perpetual Personal Financial Services, and has held senior roles in financial services, asset consulting, and banking, for both Australian and international organisations.</p> <p>David is a director of the Australian Financial Services Council, and co-chair of its Advice Board Committee.</p> <p>David is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and Finsia.</p>
 <p>Mark Pratt General Manager – Australian Unity Real Estate Investment</p>	<p>Mark joined Australian Unity in 2004. As General Manager – Australian Unity Real Estate Investment, he is responsible for the commercial management and growth of Australian Unity's Real Estate Investment businesses.</p> <p>Mark currently sits on the national executive committee of the Property Funds Association and is also a member of the Victorian Division Council of the Property Council of Australia.</p> <p>Prior to his current role, Mark was Australian Unity Investments' Chief Operating Officer, responsible for supporting the growth of the overall business, together with responsibility for finance, client service, IT and operational functions.</p> <p>Before joining Australian Unity, Mark managed a major change programme at MLC. He has also worked at Plum Financial Services, AMP Financial Services and State Street Australia in a variety of roles.</p> <p>Mark holds a Bachelor of Commerce – Accounting from the University of NSW.</p>
 <p>Mark Lumby Head of Commercial Property, Australian Unity Real Estate Investment</p>	<p>Mark joined Australian Unity in 2011, following its acquisition of Investa Funds Management Limited, where Mark worked for three years as General Manager of Retail Funds. Mark is responsible for Australian Unity's property funds in the office, retail and industrial sectors as well as its diversified property funds.</p> <p>Mark has over 15 years of experience in the property and funds management industry, which includes roles with Stockland and Trafalgar Corporate's funds management businesses.</p> <p>Mark holds a Bachelor of Business (Accounting) from the University of Technology, Sydney. He is also Chairman of the Property Council of Australia's Retail Investment Forum.</p>
 <p>Emma Rodgers Company Secretary of AUIRE and Head of Legal and Business Governance, Australian Unity Investments</p>	<p>Emma joined Australian Unity in 2006.</p> <p>Emma is an accomplished financial services lawyer, having worked in the industry for over 20 years as a legal, compliance, governance and risk professional.</p> <p>As well as heading the Legal and Business Governance team at Australian Unity Investments, Emma acts as company secretary for a number of Australian Unity's joint venture partners. Prior to joining, Emma was Associate Director - Legal and Compliance with UBS Wealth Management Australia, and before this worked for Perpetual Trustees as National Counsel. Emma also worked for NAB as a senior solicitor with a focus on providing legal support to the private banking division.</p> <p>Emma holds a Bachelor of Arts and Bachelor of Law from Monash University.</p>

5. Management of the Fund (continued)

5.5. Custodian

The Responsible Entity has appointed The Trust Company (Australia) Limited (ABN 21 000 000 993) as Custodian, and in that role the Custodian holds the registered title to several of the Fund's interests in the Properties (the other Properties are held by AUIMA as trustee of the relevant Sub-Trusts). The Custodian holds the Fund's interests in the Properties as directed by the Responsible Entity, and will act only on instruction from the Responsible Entity and in accordance with the terms set out in the Custody Deed. The Custodian will be entitled to the fee which is set out in Section 13.4.

The Custodian may not sub-contract custody services to a sub-custodian unless it obtains the written consent of the Responsible Entity. Under the Custody Deed, the Responsible Entity indemnifies the Custodian out of the assets of the Fund from liability for any action taken or omitted by the Custodian in accordance with a proper instruction from the Responsible Entity under the Custody Deed.

5.6. Corporate Governance

The Board is committed to high standards of corporate governance and a high level of transparency, disclosure and interaction with the investment market. The management team is involved in the development and application of appropriate policies and procedures to maintain a high level of governance focusing on the interests of Unitholders.

AUIRE's corporate governance framework complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Guidelines) to the extent that they are applicable to the Fund (as an externally managed trust) and AUIRE. AUIRE's corporate governance statement is included in Section 14.14.

This Section summarises the key elements of AUIRE's and the Fund's governance frameworks. Copies of the Charters and Policies adopted by AUIRE can be found on the website www.australianunityofficefund.com.au.

Board charter

The primary function of the Board is to ensure that the Fund is managed in the best interests of Unitholders. This involves monitoring the decisions and actions of the management team who are responsible for the day-to-day management of the Fund.

The Board has formalised its roles and responsibilities into the Board Charter. The key functions of the Board include:

- approving of the Fund strategy and overseeing its implementation;
- overseeing the integrity of financial reporting systems (including external audit);
- approving and monitoring the risk management strategy applicable to the Fund (including determining its risk tolerance);

- approving major investments and material capital commitments;
- reviewing the performance of the Investment Manager and Property Manager appointed under the Investment Management Agreement and Property Management Agreement respectively;
- reviewing and overseeing the Fund's corporate governance policies and practices, risk management framework and internal controls and compliance;
- determining the terms of reference, membership and composition of any committee of the Board; and
- overseeing, directing and monitoring compliance with the Corporations Act, ASX Listing Rules, conditions of AUIRE's AFSL and other statutory duties and obligations imposed by law.

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

Constitution and Compliance Plan

The Constitution sets out the rights and obligations of the Unitholders and Responsible Entity, respectively. A summary of the Constitution is set out in Section 13.1.

The Responsible Entity has a compliance plan which sets out the key processes the Responsible Entity will apply in operating the Fund. The Responsible Entity will appoint the Australian Unity Investments compliance committee to monitor obligations under the compliance plan and AFSL requirements.

Audit and Risk Committee Charter

The Board of the Responsible Entity has established an Audit and Risk Committee to assist the Board in overseeing the integrity of the Fund's financial reporting, internal financial controls, financial procedures and policies, risk management framework and the independence of external auditors. The Audit and Risk Committee will report to the Board on all matters relevant to the Audit and Risk Committee's roles and responsibilities.

The Audit and Risk Committee has a formal charter which sets out the Audit and Risk Committee's responsibilities and functions. The key roles and responsibilities of the Audit and Risk Committee include:

- reviewing the accounting policies and practices adopted and compliance with accounting standards, ASX Listing Rules and relevant legislation;
- reviewing and making recommendations to the Board in relation to the financial statements of the Fund after discussing with management and external auditors;
- overseeing and reviewing the effectiveness of the risk management framework that incorporates a program of assurance to ensure that material risks are being considered and appropriate management plans are in place, and making recommendations to the Board on any material risk management issues which arise; and

5. Management of the Fund (continued)

- monitoring and reviewing the appointment of the external auditor including their audit plans and independence.

The role of the committee will not extend to monitoring compliance with any AFSL requirements and receiving and assessing any compliance reports to be received under the Fund's compliance plan as this will be handled by a separate compliance committee established by Australian Unity (see above).

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

Code of conduct

A code of conduct which applies to AUIRE, AUFML and AUPM (and their officers, employees and agents) sets out the standards of ethical behaviour required of Directors, executives, senior management and employees associated with the Fund and aims to ensure that the highest standards of honesty, integrity and ethical behaviour are observed by all. The code of conduct also sets out the Board's view on conflicts of interest and related party transactions involving Directors and employees and other legal and compliance obligations.

Continuous Disclosure Policy

AUIRE is committed to fair and open disclosure and its policy has been adopted to ensure AUIRE meets its disclosure obligations under the Corporations Act and the ASX Listing Rules.

The overriding principle of the Fund's Continuous Disclosure Policy is to ensure that the Fund complies with the ASX Listing Rules and provides equal access to information and promotes quality communication between the Fund and third parties, such as Unitholders, the investment community, the media and the ASX. The Company Secretary, will be responsible for ensuring the Fund complies with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act.

The Fund's website (www.australianunityofficefund.com.au), will be periodically updated and will provide information accessible to all Unitholders and interested parties.

Communication Policy

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

Securities Trading Policy

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

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

- (a) during the six week period immediately leading up to and including each of the following days:
 - (i) the day the half year financial results of the Fund are announced, plus the day after; and
 - (ii) the day of the AGM, plus the day after; and
- (b) during the six month period immediately leading up to and including the day full year financial results of the Fund are announced, plus the day after.

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

Management of Conflicts and Related Party Transactions Policy

AUIRE has obligations under the Corporations Act and ASX Listing Rules to have in place adequate arrangements to identify and manage conflicts of interest or duty and related party transactions.

Australian Unity has in place a Management of Conflicts and Related Party Transactions Policy which seeks to ensure that:

- AUIRE has in place adequate arrangements to identify and manage conflicts of interest or duty; and
- in relation to related party transactions and certain conflicted proposals, there are agreed principles in relation to the conduct by the parties to those transactions or proposals (including ensuring compliance with all Corporations Act requirements).

Each Australian Unity Group member, including the Responsible Entity, the Investment Manager and Property Manager, are required to adhere to this policy.



30 Pirie St, Adelaide, SA

Six

Financial Information



6. Financial Information

6.1. Introduction

The financial information of the Fund in this PDS has been prepared by the Directors and comprises:

- The statutory historical financial information comprising:
 - Statutory historical income statement for the financial year ended 30 June 2015 ('FY15') and the half year ended 31 December 2015 ('1HFY16') as set out in Section 6.4.1 ('**Statutory Historical Income Statements**'); and
 - Statutory historical balance sheet as at 31 December 2015 as set out in Section 6.7 ('**Statutory Historical Balance Sheet**')(together referred to in this PDS as the '**Statutory Historical Financial Information**').
- Pro forma historical income statement for 1HFY16 as set out in Section 6.4.1 ('**Pro Forma Historical Income Statement**');
- Pro forma balance sheet as at Allotment as set out in Sections 6.3 and 6.7 ('**Pro Forma Balance Sheet**');
- The forecast financial information comprising:
 - Statutory forecast income statements for the financial years ended 30 June 2016 ('FY16'), 30 June 2017 ('FY17'), the half year ended 31 December 2016 ('1HFY17') and the half year ended 31 December 2017 ('1HFY18') as set out in Section 6.4.1 ('**Statutory Forecast Income Statements**');
 - Pro forma forecast income statement for the period FY16 as set out in Section 6.4.1 ('**Pro Forma Forecast Income Statement**'); and
 - Forecast distribution statements for the period FY17, 1HFY17 and 1HFY18 as set out in Section 6.4.2 ('**Forecast Distribution Statements**')

(together referred to in this PDS as the '**Forecast Financial Information**').

The Statutory Historical Financial Information, the Pro Forma Historical Income Statement, the Pro Forma Balance Sheet and the Forecast Financial Information are collectively the '**Financial Information**'.

Also summarised in this Section are:

- The basis of preparation and presentation of the Financial Information (refer to Section 6.2);
- Reconciliation of the Statutory Historical Balance Sheet to the Pro Forma Balance Sheet set out in Section 6.7;
- The assumptions underlying the Forecast Financial Information (refer to Section 6.5) and key sensitivities in respect of Forecast Funds From Operations (refer to Section 6.6);
- Significant accounting policies set out in Section 6.8; and
- Additional Financial Information comprising the historical income statement and balance sheet of the Fund for the years ended 30 June 2013, 2014 and 2015 set out in Section 6.10.

All amounts disclosed in this Section are presented in Australian dollars and are rounded to the nearest \$0.1 million unless otherwise disclosed. Rounding of the figures provided in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

The Fund operates on a financial year ending 30 June.

The Financial Information provided in this Section should be read in conjunction with the risks outlined in Section 9, the basis of preparation and presentation of the Financial Information outlined in Section 6.2, the sensitivity analysis outlined in Section 6.6 and the other information provided in this PDS.

6.2. Basis of preparation and presentation of financial information

6.2.1. Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information included in this PDS is intended to present potential investors with information to assist them in understanding the historical financial performance and financial position of the Fund together with Forecast Financial Information.

The significant accounting policies relevant to the Financial Information are disclosed in Section 6.8. Accounting policies have been applied consistently throughout the period being presented.

The Financial Information is presented in an abbreviated form and does not contain all of the presentation disclosures, statements or comparative information as required by the Australian Accounting Standards ('AAS') issued by the Australian Accounting Standards Board ('AASB'), applicable to annual general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information has been reviewed by Ernst & Young Transaction Advisory Services Limited whose Independent Limited Assurance Report is included in Section 7 of this PDS. Prospective investors should note the scope and limitations of the Independent Limited Assurance Report.

6.2.2. Preparation of the Statutory Historical Financial Information

The Statutory Historical Income Statements has been derived from the audited statutory historical financial statements of the Fund for FY15 and the reviewed interim historical financial statements of the Fund for 1HFY16 and has been prepared in accordance with the recognition and measurement principles of the AAS issued by the AASB.

The FY15 statutory financial statements of the Fund have been audited by Ernst & Young in accordance with Australian Auditing Standards, and upon which an unqualified audit opinion was issued.

6. Financial Information (continued)

The 1HFY16 interim financial statements of the Fund have been reviewed by Ernst & Young and upon which an unqualified limited assurance conclusion was issued.

The Statutory Historical Balance Sheet has been derived from the reviewed interim financial statements of the Fund for 1HFY16 and has been prepared in accordance with the recognition and measurement principles of the AAS issued by the AASB.

Extracts from the Fund's audited statutory general purpose financial statements for the financial years ended 30 June 2013, 2014 and 2015 are included in Section 6.10. Due to the impact of three significant property acquisitions (via two fund mergers) and two divestments which occurred prior to 1 July 2014, the Directors believe the audited statutory general purpose financial statements for the years prior to FY15 are not representative of the Fund following completion of the Offer as the portfolio of properties owned by the Fund during FY15, and currently, on which income are generated (and distributions paid) is materially different to the portfolio of properties owned by the Fund in the years prior to FY15 (see Sections 6.10.1, 6.10.2 and 6.10.3 for further details). On this basis, the audited statutory general purpose financial statements for the years prior to FY15 are not considered meaningful in assessing an incoming Unitholder's entitlement to income of the Fund in the forecast period. However, extracts from these general purpose accounts have been included in Section 6.10 for information purposes.

Investors should be aware that past performance information included in this Section is not necessarily a guide to future performance.

6.2.3. Preparation of the Pro Forma Historical Income Statement

The Pro Forma Historical Income Statement has been prepared for the purpose of inclusion in this PDS. The Pro Forma Historical Income Statement for 1HFY16 has been derived from the statutory historical income statement for 1HFY16. Pro forma adjustments have been made to the statutory historical income statements for 1HFY16 to exclude the costs relating to the Offer.

The Pro Forma Historical Income Statement has been prepared in accordance with the recognition and measurement principles of AAS, other than that it includes an adjustment which has been prepared in a manner consistent with AAS that reflects the exclusion of the costs relating to the Offer that occurred in the relevant periods.

6.2.4. Preparation of Pro Forma Balance Sheet

The Pro Forma Balance Sheet as at Allotment has been derived from the Statutory Historical Balance Sheet of the Fund as at 31 December 2015, after adjusting for pro forma transactions, transactions occurring post 31 December 2015 to Allotment and other adjustments to reflect the impact of the Offer. These adjustments have been detailed in Section 6.7. The Pro Forma Balance Sheet has been prepared in accordance with the recognition and measurement principles of AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they had occurred as at the Allotment Date (being 22 June 2016).

Section 6.7 sets out a reconciliation of the Statutory Historical Balance Sheet to the Pro Forma Balance Sheet.

The Pro Forma Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of the Fund's future financial position.

6.2.5. Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors based on an assessment of current economic and operating conditions, and assumptions regarding future events and actions as set out in Section 6.5. The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and consider the assumptions in Section 6.5, when taken as a whole, to be reasonable at the time of preparing this PDS.

Prospective Unitholders should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that any deviation in the assumptions on which the Forecast Financial Information is based may have a material positive or negative effect on the Fund's financial performance or financial position. There can be no guarantee or assurance that the Forecast Financial Information will be achieved.

The Forecast Financial Information in Section 6.4 should be read in conjunction with the general assumptions and specific assumptions as set out in Section 6.5, the sensitivities as set out in Section 6.6, the risk factors as set out in Section 9 and other information in this PDS.

The Statutory Forecast Income Statements reflect the FY16, FY17, 1HFY17 and 1HFY18 reporting periods and have been prepared in accordance with the recognition and measurement principles of AAS. The Statutory Forecast Income Statement for FY16 includes the actual unaudited results from 1 July 2015 to 31 March 2016 and the forecast results from 1 April 2016 to 30 June 2016.

The Pro Forma Forecast Income Statement for FY16 has been prepared in accordance with the recognition and measurement principles of AAS, other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect the exclusion of the costs relating to the Offer that occurred in the relevant period.

The Forecast Distribution Statements have been derived by adjusting net profit shown in the Statutory Forecast Income Statements for straight lining of rental income, fair value adjustments to the investment properties and derivatives and the amortisation of leasing commissions and tenant incentives. The resulting measure, FFO, the Director's measure of the periodic amount available for Distributions, which differs from net profit as determined in accordance with AAS.

The forecast income statements are presented on both a statutory and pro forma basis. The Pro Forma Forecast Income Statement reflects FY16. The Statutory Forecast Income Statement reflects FY16, FY17, 1HFY17 and 1HFY18. There are no pro forma adjustments for FY17 and 1HFY18.

6. Financial Information *(continued)*

6.3. Pro Forma Balance Sheet

The table below presents the Pro Forma Balance Sheet. Refer to Section 6.7 for a reconciliation of the Statutory Historical Balance Sheet of the Fund as at 31 December 2015 to the Pro Forma Balance Sheet as at Allotment including disclosure of the assumptions and pro forma adjustments.

Table 1: Pro Forma Balance Sheet

	As at Allotment ⁽¹⁾ (\$m)
Assets	
Cash and cash equivalents ⁽²⁾	2.0
Investment properties ⁽³⁾	393.8
Receivables and prepaid expenses	1.0
Total assets	396.9
Liabilities	
Interest bearing liabilities ⁽⁴⁾	119.7
Payables	2.4
Total liabilities	122.1
Net assets attributable to Unitholders	274.7
Equity	
Contributed equity	321.7
Undistributed income ⁽⁵⁾	(47.0)
Total equity	274.7
Metrics	
Units on issue (millions) ⁽⁶⁾	140.5
Net Tangible Assets per Unit (\$) ⁽⁷⁾	1.96
Gearing (%) ⁽⁸⁾	30.0%

Note:

(1) The Pro Forma Balance Sheet has been prepared on the basis that the Transaction (including Allotment of units) is implemented on the Allotment Date (being 22 June 2016).

(2) Cash and cash equivalents of \$2.0 million assumed to be held for working capital purposes for the Fund.

(3) Investment properties as at Allotment is represented by \$391.1 million based on Valuation Reports as at 30 April 2016 described in Section 8 and adjusted for \$2.7m of forecast leasing commissions, capital expenditure and incentives capitalised from 1 May 2016 to Allotment.

(4) Interest bearing liabilities represents \$120.5 million of drawn debt net of unamortised establishment costs of \$0.7 million.

(5) Undistributed income reflects the historical trading results of the Fund accumulated since inception of the Fund and includes the impact of asset sales, distributions and net losses on financial instruments.

(6) The number of Units expected to be on issue from Allotment on the assumption that the total Offer size is \$155.0 million and the Consolidation Ratio is the same as the Assumed Consolidation Ratio. See Sections 10.4 and 10.5 for more details.

(7) Net assets attributable to Unitholders divided by the number of Units on issue.

(8) Gearing is defined as interest bearing liabilities (excluding unamortised establishment costs) less cash divided by total tangible assets less cash.

6. Financial Information (continued)

6.4. Income and Distribution Statements

6.4.1. Historical and Forecast Income Statements

The table below sets out the Statutory Historical Income Statement for FY15, the Statutory Forecast Income Statements for FY16, FY17 and 1H FY18 and the Pro Forma Forecast Income Statement for FY16.

Table 2: Historical and Forecast Income Statements

	FY15 Statutory (\$m)	FY16 Statutory (\$m)	FY16 Pro forma ⁽¹⁾ (\$m)	FY17 Statutory ⁽²⁾ (\$m)	1H FY18 Statutory ⁽²⁾ (\$m)
Rental income ⁽³⁾	41.3	43.2	43.2	42.3	22.0
Property expenses ⁽⁴⁾	(11.2)	(11.3)	(11.3)	(11.1)	(5.6)
Straight lining of rental income ⁽⁵⁾	(3.5)	(4.6)	(4.6)	(5.1)	(2.4)
Net property income	26.6	27.2	27.2	26.1	14.1
Interest income	0.0	0.0	0.0	0.0	0.0
Net (losses)/gains on financial instruments held at fair value ⁽⁶⁾	(3.2)	(2.0)	(2.0)		
Net fair value increment/(decrement) of investment properties ⁽⁶⁾	13.6	15.0	15.0		
Responsible Entity fees ⁽⁷⁾	(2.6)	(7.7)	(7.7)	(2.4)	(1.3)
Borrowing costs	(10.2)	(10.1)	(10.1)	(4.8)	(2.6)
Other expenses ⁽⁸⁾	(0.6)	(2.9)	(0.8)	(0.9)	(0.5)
Net profit⁽⁹⁾	23.7	19.6	21.7	18.0	9.8
Reconciliation:					
Transaction and Offer costs ⁽⁸⁾			(2.1)		
Reconciled Statutory Net profit for FY16			19.6		

Note:

(1) The Pro Forma Forecast Income Statement has been prepared on the basis that the Transaction (including Allotment of Units) is implemented on the Allotment Date (being 22 June 2016).

(2) There are no pro forma adjustments for FY17 or 1H FY18.

(3) Excludes straight lining of rental income of \$(0.2m) for FY17 and \$0.1m in 1H FY18.

(4) Excludes amortisation of leasing commissions and tenant incentives.

(5) Net of amortisation of leasing commissions and tenant incentives.

(6) The Forecast Income Statements do not account for any potential fair value adjustments of investment properties and derivative financial instruments for the period after Allotment Date and 30 April 2016 respectively on the basis that such adjustments cannot be reliably determined as at the date of this PDS.

(7) Responsible Entity fees in FY16 include a \$5.0m performance fee payable under the Constitution to AUFML, as the outgoing Responsible Entity, immediately prior to the change of Responsible Entity, subject to the Existing Investors passing the Resolutions.

(8) Other expenses for FY16 include \$2.1m of costs relating to the Offer which have been presented as a pro forma adjustment in FY16.

(9) No tax expense is expected to arise for the Fund in the Forecast Period.

6. Financial Information (continued)

The table below sets out the Statutory Historical Income Statement for 1HFY16, Pro Forma Historical Income Statement for 1HFY16 and the Statutory Forecast Income Statements for 1HFY17 and 1HFY18.

Table 3: Historical and Forecast Income Statements for the six months to 31 December

	1HFY16 Statutory (\$m)	1HFY16 Pro forma ⁽¹⁾ (\$m)	1HFY17 Statutory ⁽²⁾ (\$m)	1HFY18 Statutory ⁽²⁾ (\$m)
Rental income ⁽³⁾	21.9	21.9	21.0	22.0
Property expenses ⁽⁴⁾	(5.6)	(5.6)	(5.4)	(5.6)
Straight lining of rental income ⁽⁵⁾	(2.1)	(2.1)	(2.7)	(2.4)
Net property income	14.2	14.2	12.9	14.1
Interest income	0.0	0.0	0.0	0.0
Net (losses)/gains on financial instruments held at fair value ⁽⁶⁾	(1.1)	(1.1)		
Net fair value increment/(decrement) of investment properties ⁽⁶⁾	3.5	3.5		
Responsible Entity fees ⁽⁷⁾	(4.2)	(4.2)	(1.2)	(1.3)
Borrowing costs	(4.8)	(4.8)	(2.3)	(2.6)
Other expenses ⁽⁸⁾	(1.2)	(0.4)	(0.5)	(0.5)
Net profit⁽⁹⁾	6.5	7.3	8.9	9.8
Reconciliation:				
Transaction and Offer costs ⁽⁸⁾		(0.8)		
Reconciled Statutory Net profit for 1HFY16		6.5		

Note:

(1) The Pro Forma Forecast Income Statement has been prepared on the basis that the Transaction (including Allotment of Units) is implemented on the Allotment Date (being 22 June 2016).

(2) There are no pro forma adjustments for 1HFY17 and 1HFY18.

(3) Excludes straight lining of rental income of \$(0.2m) for 1HFY17 and \$0.1m in 1HFY18.

(4) Excludes amortisation of leasing commissions and tenant incentives.

(5) Net of amortisation of leasing commissions and tenant incentives.

(6) The Forecast Income Statements do not account for any potential fair value adjustments of investment properties and derivative financial instruments for the period after Allotment Date and 30 April 2016 respectively on the basis that such adjustments cannot be reliably determined as at the date of this PDS.

(7) Responsible Entity fees in 1HFY16 include a \$2.9m performance fee accrual.

(8) Other expenses for 1HFY16 include \$0.8m of costs relating to the Offer which have been presented as a pro forma adjustment in 1HFY16.

(9) No tax expense is expected to arise for the Fund in the Forecast Period.

6. Financial Information (continued)

6.4.2. Forecast Distribution Statements

Once Listed and as required by the Constitution, the Fund's first Distribution is expected to be for the nine day period from Allotment to 30 June 2016. This distribution is expected to be approximately \$0.5 million (or 0.4 cents per Unit). Thereafter, Distributions will be paid quarterly. The first quarterly distribution period will commence on 1 July 2016 and end on 30 September 2016. This distribution will be paid in October 2016.

The Fund intends to distribute between 80% and 100% of its FFO each year. The Directors will have regard to the amount of cash available in determining the Fund's Distribution payout ratio.

The table below provides reconciliation from the net profit (before Transaction Costs) to FFO for FY17 and 1HFY18:

Table 4: Reconciliation from the net profit to FFO

	FY17 Statutory (\$m)	1HFY18 Statutory (\$m)
Net profit⁽¹⁾	18.0	9.8
Straight lining of rental income ⁽²⁾	5.1	2.4
Funds From Operations	23.1	12.1
Payout ratio (Distribution/Funds From Operations) ⁽³⁾	90%	90%
Distribution	20.8	10.9
Metrics		
Units on issue (millions) ⁽⁴⁾	140.5	140.5
Funds From Operations per Unit (cents)	16.4	8.6
Distribution per Unit (cents)	14.8	7.8
Annualised Funds From Operations Yield on Offer Price ⁽⁵⁾	8.2%	8.6%
Annualised Distribution Yield on Offer Price ⁽⁵⁾	7.4%	7.8%
Tax deferred component of Distribution ⁽⁶⁾	86%	35%

Note:

(1) The Forecast Financial Information does not account for any potential fair value adjustments of investment properties and derivative financial instruments on the basis that such adjustments cannot be reliably determined as at the date of this PDS.

(2) Net of amortisation of leasing commissions and tenant incentives.

(3) Payout ratio represents the Distribution divided by Funds From Operations, based on the forecast payout ratio of 90%, which is the mid-point of the proposed Distribution policy of 80% to 100% of FFO.

(4) The number of Units expected to be on issue from Allotment on the assumption that the total Offer size is \$155.0 million and the Consolidation Ratio is the same as the Assumed Consolidation Ratio. See Sections 10.4 and 10.5 for more details.

(5) The annualised yield is calculated by grossing up the yield for 1HFY18 for 12 months.

(6) The estimated tax deferred component of forecast Distributions is determined in accordance with the prevailing tax legislation at the time of preparing the PDS.

6. Financial Information *(continued)*

The table below provides reconciliation from the net profit (before Transaction Costs) to FFO for the period 1H FY17 and 1H FY18:

Table 5: Reconciliation from the net profit to FFO for the six months to 31 December

	1H FY17 Statutory (\$m)	1H FY18 Statutory (\$m)
Net profit⁽¹⁾	8.9	9.8
Straight lining of rental income ⁽²⁾	2.7	2.4
Funds From Operations	11.6	12.1
Payout ratio (Distribution/Funds From Operations) ⁽³⁾	90%	90%
Distribution	10.5	10.9
Metrics		
Units on issue (millions) ⁽⁴⁾	140.5	140.5
Funds From Operations per Unit (cents)	8.3	8.6
Distribution per Unit (cents)	7.5	7.8
Annualised Funds From Operations Yield on Offer Price ⁽⁵⁾	8.3%	8.6%
Annualised Distribution Yield on Offer Price ⁽⁵⁾	7.5%	7.8%

Note:

- (1) The Forecast Financial Information does not account for any potential fair value adjustments of investment properties and derivative financial instruments on the basis that such adjustments cannot be reliably determined as at the date of this PDS.
- (2) Net of amortisation of leasing commissions and tenant incentives.
- (3) Payout ratio represents the Distribution divided by Funds From Operations, based on the forecast payout ratio of 90%, which is the mid-point of the proposed Distribution policy of 80% to 100% of FFO.
- (4) The number of Units expected to be on issue from Allotment on the assumption that the total Offer size is \$155.0 million and the Consolidation Ratio is the same as the Assumed Consolidation Ratio. See Sections 10.4 and 10.5 for more details.
- (5) The annualised yield is calculated by grossing up the yield for 1H FY17 and 1H FY18 for 12 months.

6. Financial Information (continued)

6.5. Forecast assumptions

The Directors' best estimate assumptions relating to the preparation of the Forecast Financial Information are set out below.

6.5.1. General assumptions

The key best estimate general assumptions include:

- The Forecast Financial Information is prepared on the basis that the Transaction (including the Allotment of Units) is implemented on the Allotment Date (being 22 June 2016). The Transaction will occur over a number of days and the Directors are satisfied that the difference between the assumed date of the Transaction and the actual dates of the Transaction will not have a material impact on the Forecast Financial Information;
- CPI rate of 2.5% per annum from Allotment to 31 December 2017;
- No acquisitions or disposals of Properties during the Forecast Financial Information Period;
- No material contract disputes or litigation during the Forecast Financial Information Period;
- No material change in the competitive operating environment during the Forecast Financial Information Period;
- No significant change to the legislative regime and regulatory environment in the jurisdictions in which the Fund operates during the Forecast Financial Information Period;
- All existing leases are enforceable and perform in accordance with their terms;
- No material changes to applicable AAS, other mandatory professional reporting requirements, and the Corporations Act during the Forecast Financial Information Period;
- The Fund will consistently apply the accounting policies over the Forecast Financial Information Period;
- No significant change in the Fund's capital structure, other than that disclosed in this PDS. It is also assumed that the Offer size will be the maximum size of \$155.0 million and that a total of 77.5 million new Units will be issued on Allotment;
- No material change in credit markets;
- No material changes to Australian income tax legislation; and
- No underlying movement in the fair value of the investment properties for the period after Allotment or other financial assets including any mark to market movements in relation to the interest rate swaps entered into by the Fund after 30 April 2016, other than as disclosed in the PDS, as the Directors do not believe such movements can be reliably forecast.

6.5.2. Specific assumptions

The key best estimate specific assumptions are set out below:

Rental income

- Rental income has been forecast on a Property by Property basis based on existing leases and assumptions for future occupancy rates, tenant retention and market rentals.

- Market rents have been assumed to increase at 0%-4.0% per annum in the Forecast Financial Information Period. Market rents have been forecast on a market by market basis.

Straight line lease adjustment of rental income

- A straight line lease adjustment is provided in relation to future fixed rental increases to ensure rental income has been recognised on a straight line basis over the lease term in accordance with AAS.

Reletting and vacancy

- A 50% probability of renewal and 8 month letting up period has been assumed for existing tenant expiries, unless the intention of the tenant is known or quantifiable. Specific let up assumptions have been made for existing vacant tenancies, based on management expectations.
- Tenant incentives have been assumed on a Property by Property basis and range between 17.5%-35.0% of rent in the Forecast Financial Information Period.
- Leasing commissions have been assumed on the let up of each individual lease. Forecast lease commissions have been calculated at 20.0% of the average annual rental income for new leases and 10.0% - 15.0% of the average annual rental income for lease renewals.
- The pending vacancy at 30 Pirie Street, Adelaide is assumed to be re-let outside the Forecast Financial Information Period.

Direct property expenses and outgoings

- Outgoings have been forecast on a Property by Property basis. Outgoings include land tax, council rates, building insurance, water rates and repairs and maintenance. Outgoings are forecast to increase in line with known increases for agreed contracts or by CPI.

Responsible Entity's fee

- The Responsible Entity is entitled to receive a management fee of up to 0.6% per annum of the Gross Asset Value of the Fund (whilst the Gross Asset Value of the Fund is under \$750 million, which will be the case during the Forecast Period). The Responsible Entity's fee is accrued daily and paid monthly from the Fund.

Guarantees

- No income guarantees are included in the Forecast Period.

Borrowing costs

- The Fund's borrowings under the Proposed Debt Facility will incur an average interest rate of 3.8% per annum for FY17 and 3.8% per annum for 1HFY18 inclusive of all margins and ongoing fees.
- The estimated borrowing costs incorporate the effect of the hedging arrangements described in Section 2.6.2, and amortisation of establishment costs.

6. Financial Information (continued)

Management and other administrative costs

- The Fund will incur operating expenses including ASX annual fees, Unit registry fees, legal, audit, valuation and tax compliance fees, investor reporting costs, independent Directors' fees, insurance costs and other costs. These costs have been forecast based on the Directors' best estimates of the likely costs to be incurred based on a combination of existing agreements, external benchmarks and quotes and by taking into account factors likely to influence the level of these expenses, including the Fund's estimated market capitalisation and Gross Asset Value.

Transaction Costs

- Includes Transaction Costs such as ASX listing fees, offer management fees and advisers' fees.
- No stamp duty is payable.
- Transaction Costs are expected to amount to \$8.3 million. Transaction Costs directly attributable to raising new equity and borne by the Fund (estimated at \$6.2 million) have been deducted from contributed equity. All other Transaction Costs (estimated to be \$2.1 million) are expensed through the statutory income statement.

Capital expenditure

- Allowances have been made for maintenance capital expenditure of \$1.8 million for FY17 and \$1.9 million for 1HFY18.
- Maintenance capital expenditure has been forecast on a Property by Property basis.
- In addition to the maintenance capital expenditure, the Fund may undertake additional development capital expenditure including allowances of \$7.6 million in total for the upgrade and refurbishment works relating to the lease renewal at 10 Valentine Avenue, Parramatta to the NSW State Government (\$7.3 million of this amount is forecast to be spent during the Forecast Period).

Taxation

- The Fund is treated as a trust for Australian tax purposes. Under current Australian income tax legislation, the Fund is not liable for Australian income tax, including Capital Gains Tax, provided its Distributable Income is distributed to Unitholders in respect of each income year. The Fund is expecting to pay quarterly Distributions to Unitholders and expects these Distributions to be between 80% and 100% of FFO, however the Fund can provide no guarantees as to the extent of future Distributions. Accordingly, no allowance for income tax has been made.
- Expected goods and services tax recoveries in respect of Transaction Costs and ongoing operations which are appropriate to the activities of the Fund have been forecast.

Distributions

- The Fund is expecting to declare and pay Distributions quarterly.
- The forecast payout ratio is taken to be 90% of FFO (being the midpoint of the Distribution policy of 80% to 100% of FFO).
- Once Listed and as required by the Constitution, the Fund's first Distribution is expected to be for the nine day period from Allotment to 30 June 2016. This distribution is expected to be approximately \$0.5 million (or 0.4 cents per Unit). The first quarterly distribution period will commence on 1 July 2016 and end on 30 September 2016. This distribution will be paid in October 2016.

Distribution reinvestment plan

- The Financial Information has been prepared on the basis that there will be no Distribution reinvestment plan in operation.

6. Financial Information (continued)

6.6. Sensitivity analysis

The Forecast Financial Information is based on a number of assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Directors. These estimates and assumptions are subject to change. The Forecast Financial Information is also subject to a number of risks as outlined in Section 9.

Prospective Unitholders should be aware that future events cannot be predicted with certainty and, as a result, deviations from the figures forecast in this PDS are to be expected.

To assist you in assessing the impact of these assumptions on forecast FFO, the table below sets out the sensitivity of the Fund's forecast FFO to certain changes in a number of key variables. The changes set out below are not intended to be indicative of the complete range of possible variations that may arise.

Table 6: Sensitivity analysis

	FY17			1HFY18		
		(\$m)	(cents per Unit)		(\$m)	(cents per Unit)
Funds From Operations		23.1	16.4		12.1	8.6
Impact of change from assumption						
50 basis point change in interest rates (post hedging)	+/-	0.23	0.16	+/-	0.15	0.10
0.5% change in CPI	+/-	0.02	0.01	+/-	0.01	0.01
5% change in the Fund's operating expenses	+/-	0.05	0.03	+/-	0.02	0.02
5% change in the Fund's outgoings	+/-	0.20	0.14	+/-	0.10	0.07
2 months delay in letting up assumption	-	(0.39)	(0.28)	-	(0.14)	(0.10)
2 months improvement in letting up assumption	+	0.41	0.29	+	0.12	0.09
Reduction in retention rates to 25%	-	(0.74)	(0.53)	-	(0.26)	(0.19)
Increase in retention rates to 75%	+	0.83	0.59	+	0.25	0.18

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the FFO, which in turn may impact the Distributions from the Fund. In practice, changes in variables may offset each other or may be cumulative.

A 0.5% increase or reduction in interest rates results in approximately a 1.0% change to the FFO as the majority of the Fund's borrowing costs in the Forecast Period are fixed through the use of interest rate swaps.

A change in CPI has a limited impact on the FFO as there are only a small number of leases where a CPI review is forecast and the majority of the Fund's direct property expenses are recoverable from tenants under the terms of respective leases.

6. Financial Information *(continued)*

6.7. Reconciliation of the Fund's Statutory Historical Balance Sheet to the Pro Forma Balance Sheet

The table below sets out a reconciliation between the Fund's Statutory Historical Balance Sheet as at 31 December 2015 and the Pro Forma Balance Sheet as at Allotment.

Table 7: Reconciliation between the Fund's Statutory Historical Balance Sheet and the Pro Forma Balance Sheet

(\$m)	Statutory Historical Balance Sheet as at 31 December 2015	Pro forma adjustments from 31 December to Allotment (A)		Pro forma to Allotment	Pro forma adjustment to reflect the impact of the Offer (B)	Pro forma Balance Sheet as at Allotment
Assets						
Cash and cash equivalents	1.1	0.9	(i)	2.0	–	2.0
Receivables and prepaid expenses	1.2	(0.2)	(ii)	1.0	–	1.0
Investment properties	380.1	13.8	(iii)	393.8	–	393.8
Total assets	382.4	14.5		396.9	–	396.9
Liabilities						
Interest bearing liabilities ⁽¹⁾	186.4	17.2	(ii)	203.6	(83.9) (ix)	119.7
Distributions payable	3.9	(3.9)	(iv)	–	–	–
Payables	5.1	(2.8)	(ii)	2.4	–	2.4
Financial instruments held at fair value through profit or loss	6.6	0.9	(v)	7.5	(7.5) (x)	–
Total liabilities	202.1	11.4		213.5	(91.3)	122.1
Net assets attributable to Unitholders	180.3	3.1		183.4	91.3	274.7
Equity						
Contributed equity	232.9	(3.8)	(vi)	229.1	92.6 (xi)	321.7
Undistributed income ⁽²⁾	(52.6)	6.9	(vii)	(45.7)	(1.3) (xii)	(47.0)
Total equity	180.3	3.1		183.4	91.3	274.7
Metrics						
Number of Units (pre Consolidation)	223.8	(4.7)		219.1		
Net Tangible Asset per Unit (\$)	0.81			0.84		
Number of Units (post Consolidation)				91.7	48.8	140.5
Net Tangible Asset per Unit (\$)				2.00		1.96
Gearing (%)	48.8%			51.2%		30.0%

Note:

(1) Net of unamortised establishment costs.

(2) Undistributable income reflects the historical trading results of the Fund accumulated since inception of the Fund and includes the impact of asset sales, distributions and net losses on financial instruments.

6. Financial Information (continued)

The Pro Forma Balance Sheet is based on the following assumptions:

- (A) Pro forma adjustments to the Fund's Statutory Historical Balance Sheet for the impact of the following transactions prior to Allotment:
- (i) Increase in cash and cash equivalents to maintain \$2.0 million to fund working capital and for liquidity;
 - (ii) Increase in borrowings balance of \$17.2 million as a result of payment of December distribution (\$3.9 million); March and Pre-Offer Distribution (\$7.2 million); net reduction in contributed equity (\$3.8 million); payment of leasing commissions, incentives and capital works (\$4.7 million); payment of Responsible Entity performance fee to AUFML (\$5.0 million); movement in cash and cash equivalents (\$0.9 million); partly offset by profit from trading excluding non-cash items and payment of Responsible Entity performance fee and including the movement in receivables and payables (\$8.4 million);
 - (iii) Increase in carrying value of investment properties of \$13.8 million from 1 January 2016 to Allotment comprising:
 - (i) a \$11.5 million fair value gain on revaluation of investment properties, including impact of independent valuations as at 30 April 2016; (ii) \$4.7 million increment in the carrying value of investment properties, relating to the payment of leasing commissions, capital expenditure and incentives capitalised from 1 April 2016 to Allotment, including \$2.7 million capitalised from 1 May 2016 to Allotment; and (iii) less \$2.5 million amortisation of leasing commissions, tenant incentives and straight lining of rental income;
 - (iv) Payment of Distributions accrued as at 31 December 2015 of \$3.9 million;
 - (v) Increase mark to market liability by \$0.9 million (net loss) of interest rate derivatives to \$7.5 million, from the accrued liability as at 31 December 2015 of \$6.6 million in other liabilities;
 - (vi) Net reduction in contributed equity after 1 January 2016 and prior to Allotment comprising: (i) new Units from the reinvestment of Distributions of \$0.7 million; and (ii) redemptions paid of \$4.5 million;
 - (vii) Net increase in retained earnings of \$6.9 million, comprising: (i) net profit of \$14.0 million less (ii) Distributions of \$7.2 million relating to the post 31 December 2015 period. The \$14.0 million of net profit includes the fair value gain on investment properties (\$11.5 million), net loss on financial instruments (\$0.9 million); and amortisation of leasing commissions, tenant incentives and straight lining of rental income (\$2.5 million); and
 - (viii) Consolidation of the Units of the Fund at the Assumed Consolidation Ratio of 1 Unit in the Fund for every 0.4185

new Unit, this ratio reflecting the pro forma NTA of the Fund pre Consolidation and the Offer Price.

- (B) Pro forma adjustments to reflect the impact of the Offer as at Allotment:
- (ix) \$83.9 million to fund the partial repayment of existing debt;
 - (x) Closing out interest rate derivatives of \$7.5 million, as per note (v) above, which is forecast to occur post 30 June 2016;
 - (xi) An equity raising of \$155.0 million, less Withdrawal Offer of \$56.2 million less \$6.2 million of Transaction Costs directly attributable to the issue of Units under the Offer and hence offset against the equity raised upon completion of the Offer; and
 - (xii) \$2.1 million of Transaction Costs expensed in the accounts less \$0.8 million of Transaction Costs which were expensed prior to 31 December 2015.

6.8. Significant accounting policies²

The Directors have not yet quantified the impacts, if any, of the adoption of AABS 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. AASB 9 and AASB 15 are effective for annual periods beginning on or after 1 January 2018. As at the date of this PDS the Directors have not elected to early adopt AASB 9 or AASB 15.

6.8.1. Consolidation

The Financial Information is presented on a consolidated basis and incorporates the assets and liabilities of all subsidiaries and subtrusters controlled by the Fund and the results of those subsidiaries. A subsidiary is any entity over which the Fund is exposed, or has rights, to variable returns from its involvement with the subsidiary and the ability to affect those returns through its powers over the subsidiaries. All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated, including any unrealised profit or losses.

6.8.2. Revenue recognition

Rental income from investment property is recognised in the income statement on a straight line basis over the term of the lease. Rent not received at the end of the reporting period is reflected in the balance sheet as a receivable or if received in advance, as a liability.

Recovery of outgoings is recognised on an accrual basis.

¹ The proceeds to be raised under the Offer will be up to \$155.0 million, with the total proceeds to be determined based on the number of Units which Existing Investors elect to withdraw under the Withdrawal Offer (the maximum size of the Withdrawal Offer is \$56.2 million).

² The accounting policies in Section 6.8 are a summary of the accounting policies of the Fund. See the 2015 statutory financial statements of the Fund for full details.

6. Financial Information (continued)

6.8.3. Leasing costs and tenant incentives

Leasing costs

Lease costs are costs that are directly associated with negotiating and arranging an operating lease (including commissions, legal fees and costs of preparing and processing documentation for new leases). These costs are capitalised and are amortised on a straight-line basis over the term of the lease as a reduction of rental income or an increase in property outgoings. The carrying amount of the leasing cost is reflected in the fair value of investment properties.

Tenant incentives

Incentives such as cash, rent-free periods, lessee or lessor owned fitouts may be provided to lessees to enter into an operating lease. These incentives are capitalised and are amortised on a straight-line basis over the term of the lease as a reduction of rental income or an increase in property outgoings. The carrying amount of the tenant incentives is reflected in the fair value of investment properties.

6.8.4. Expenses

All expenses are recognised on an accrual basis.

6.8.5. Performance Fee

A performance fee is payable to the Responsible Entity if at the end of each five (5) year period from the commencement of the Fund, or a shorter period under different circumstances defined by the Fund's Constitution, the Unitholders rate of return on total cash flows to and from Unitholders over the relevant period exceeds a 10% per annum internal rate of return (Performance Hurdle).

Following the amendment to the Fund's Constitution being put to Existing Members for approval, the current performance fee period will commence on 1 June 2015 and end on the date of the Unitholders Meeting (Final Performance Period). The performance fee is calculated by multiplying the amount by which Unitholders' rate of return on total cash flows to and from Unitholders during the Final Performance Period exceeds the Performance Hurdle, by 30%.

Immediately prior to the change of Responsible Entity, and subject to Existing Investors approving all Resolutions, AUFML, as the outgoing Responsible Entity, will be entitled to a performance fee forecast to be \$5.0 million.

The accrual in the 1HFY16 interim financial statement was \$2.9 million.

The performance fee is a one-off payment relating to the Final Performance Period and once the performance fee is paid, no further performance fees will be payable to the Responsible Entity.

6.8.6. Borrowings and borrowing costs

All borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with borrowings.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

6.8.7. Investment property

Investment properties held for the purpose of receiving rental income are initially measured at cost of acquisition being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition. Costs incidental to acquisition may include legal fees, stamp duty and other government charges and professional fees preceding acquisition and where applicable financing charges incurred during the construction or development of a property.

Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of comprehensive income in the reporting period in which they arise.

6.8.8. Receivables

Receivables may include amounts for interest, rental income and fund Distributions. Rental income is accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of the last payment.

Collectability of trade receivables is reviewed on an ongoing basis with debts which are known to be uncollectible written off by reducing the carrying amount directly.

6.8.9. Payables

Payables represent liabilities and accrued expenses owing by the Fund which are unpaid at the end of the reporting period. Liabilities for trade creditors are carried at original invoice amount which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Fund.

6.8.10. Derivative financial instruments

In order to minimise exposure to fluctuations in interest rates, the Fund may use a combination of interest rate swaps and options to ensure that the rate of interest on debt is predominantly fixed. See Section 2.6.2 for more information. Derivative financial instruments are not held for speculative purposes and are carried on the consolidated statement of financial position at fair value. Changes in fair value are recognised in the consolidated statement of comprehensive income.

Interest payments and receipts under interest rate swap contracts are recognised on an accrual basis in the consolidated statement of comprehensive income, as an adjustment to interest expense when the hedge transaction occurs.

6.8.11. Taxation

Under current legislation, the Fund is not subject to income tax as Unitholders are presently entitled to the income of the Fund.

Property and financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to Unitholders but are retained in the Fund to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to Unitholders.

6. Financial Information (continued)

6.9. Working capital

The Responsible Entity believes that the Fund will have the required working capital to carry out its objectives. At Allotment, the Fund is expected to have \$2.0 million in cash at the bank and \$19.5 million in undrawn debt capacity under its Proposed Debt Facility, resulting in total working capital of \$21.5 million.

6.10. Additional Financial Information

Due to the impact of three significant property acquisitions (via two fund mergers) and two divestments which occurred prior to 1 July 2014, the Directors believe the audited statutory general purpose financial statements for the years prior to FY15 are not representative of the Fund following completion of the Offer as the portfolio of properties owned by the Fund during FY15, and currently, on which income are generated (and distributions paid) is materially different to the portfolio of properties owned by the Fund in the years prior to FY15 (see Sections 6.10.1, 6.10.2 and 6.10.3 for further details). On this basis, the audited statutory general purpose financial statements for the years prior to FY15 are not considered meaningful in assessing an incoming Unitholder's entitlement to income of the Fund in the forecast period.

Whilst the financial information prior to FY15 is not considered by the Board to be useful in assessing an incoming Unitholder's entitlement to income of the Fund, the Board has included extracts of the audited general purpose financial statements for the financial year ended 30 June 2013 ("FY13") and the financial year ended 30 June 2014 ("FY14") for information purposes (together with the equivalent information for FY15 for completeness).

The FY13 and FY14 general purpose financial statements of the Fund were audited by Ernst & Young in accordance with Australian Auditing Standards, and upon which unqualified audit opinions were issued. Prospective Unitholders should be aware that past performance information is not necessarily a guide to future performance.

The discussion and analysis presented in this Section 6.10 is intended to provide a summary overview only and does not intend to identify all factors that affected the additional financial information of the Fund.

A full copy of the FY13 and FY14 statutory financial statements of the Fund are available at www.australianunityofficefund.com.au.

6.10.1. Overview of changes in the Fund's asset portfolio during FY13 and FY14

The principal changes in the asset portfolio of the Fund during FY13 and FY14 are summarised below:

Financial year ended 30 June 2013

Property	Ownership by the Fund	Accounting treatment
260-300 Elizabeth Street, Sydney	19.99% throughout FY13	Accounted for using the equity method in FY13 and reported in the income statement as a "share of profits of associates accounted for using the equity method".
30 Pirie Street, Adelaide	50% throughout FY13	Accounted for using the equity method in FY13 and reported in the income statement as a "share of profits of associates accounted for using the equity method".
80 Stirling Street, Perth	50% up until the property was divested on 28 June 2013	Accounted for using the equity method and reported in the income statement as a "share of profits from associates accounted for using the equity method" until 28 June 2013 when the property was divested. The current year gain on sale is included in the share of profits of associates.
2 Eden Park Drive, North Ryde	100% acquired on 20 June 2013	Fully consolidated from 20 June 2013.

Financial year ended 30 June 2014

Property	Ownership by the Fund	Accounting treatment
260-300 Elizabeth Street, Sydney	19.99% up until 29 November 2013 when the property was divested	Accounted for using the equity method until 29 November 2013. The current year loss on sale is included in the share of profits of associates.
30 Pirie Street, Adelaide	Increased ownership stake from 50% to 100% on 11 February 2014	Accounted for using the equity method until 11 February 2014, after which time the Property was fully consolidated.
5 Eden Park Drive, North Ryde	100% acquired on 11 February 2014	Fully consolidated from 11 February 2014.

6. Financial Information (continued)

6.10.2. Historical balance sheets

Table 8: Historical balance sheets

(\$m)	As at 30 June 2013	As at 30 June 2014	As at 30 June 2015
Assets			
Cash and cash equivalents	1.8	1.6	3.1
Investment properties	206.0	362.4	374.8
Investments in associates accounted for using the equity method	117.5	–	–
Receivables and prepaid expenses	0.9	1.3	0.8
Total assets	326.2	365.4	378.7
Liabilities			
Interest bearing liabilities	153.8	171.0	182.3
Distributions payable	15.3	11.0	4.0
Payables	3.7	4.7	2.0
Financial liabilities held at fair value through profit or loss ⁽¹⁾	8.5	7.3	5.5
Total liabilities	181.2	193.9	193.9
Net assets attributable to unitholders	145.0	171.5	184.8
Equity			
Contributed equity	192.5	230.7	236.0
Undistributed income ⁽²⁾	(47.4)	(59.2)	(51.2)
Total equity	145.0	171.5	184.8

Note:

(1) Financial liabilities held at fair value reflects the fair value of interest rate swaps that the Fund had in place at each respective reporting date.

(2) Undistributed income reflects the historical trading results of the Fund accumulated since the inception of the Fund and includes the impact of asset sales and net losses on financial instruments.

The above information has been extracted from the Fund's audited statutory general purpose financial statements for the years ended 30 June 2013, 2014 and 2015. Please see our website for a full copy of these reports at www.australianunityofficefund.com.au.

Discussion and analysis of historical balance sheets

As at 30 June 2013, the Fund had a 100% interest in six investment properties being 10 Valentine Avenue, Parramatta; 468 St Kilda Road, Melbourne; 241 Adelaide Street, Brisbane; 2 Eden Park Drive, North Ryde; 32 Phillip Street, Parramatta; and 64 Northbourne Avenue, Canberra. The Fund also held a 50% interest in 30 Pirie Street, Adelaide and a 19.99% interest in 260-300 Elizabeth Street, Sydney (both included as investment in associates accounted for using the equity method). Prior to 30 June 2013 the Fund sold its 50% interest in 80 Stirling Street, Perth.

In the period to 30 June 2014 the Fund sold its 19.99% interest in 260-300 Elizabeth Street, Sydney on 29 November 2013 and acquired the remaining 50% interest in 30 Pirie Street, Adelaide and a 100% interest in 5 Eden Park Drive, North Ryde on 11 February 2014 following the merger with the Australian Unity Fifth Commercial Trust.

From 11 February 2014, the Fund held a 100% interest in the eight Investment Properties which are currently held and presented in Section 3.2.

6. Financial Information (continued)

6.10.3. Historical income statements

Table 9: Historical income statements

(\$m)	12 months ended 30 June 2013	12 months ended 30 June 2014	12 months ended 30 June 2015
Rental income ⁽¹⁾	20.7	31.5	41.3
Property expenses ⁽²⁾	(6.6)	(9.0)	(11.2)
Straight lining of rental income ⁽³⁾	(0.3)	(1.7)	(3.5)
Net property income	13.8	20.8	26.6
Interest income	0.0	0.0	0.0
Share of profits of associates accounted for using the equity method	13.4	4.6	–
Other operating income	–	0.0	–
Net (losses)/gains on financial instruments held at fair value	1.1	(2.8)	(3.2)
Net fair value increment/(decrement) of investment properties	3.1	(0.8)	13.6
Responsible Entity fees	(2.3)	(2.3)	(2.6)
Borrowing costs	(12.4)	(10.4)	(10.2)
Other expenses	(0.5)	(0.5)	(0.6)
Net profit before finance costs attributable to unitholders	16.4	8.7	23.7
Distributions to unitholders of the parent entity	(23.7)	(20.5)	(15.7)
Decrease in net assets attributable to unitholders	7.4	11.8	(8.0)
Total comprehensive income attributable to unitholders	–	–	–

Note:

(1) Excludes straight lining of rental income.

(2) Excludes amortisation of leasing commissions and tenant incentives.

(3) Net of amortisation of leasing commissions and tenant incentives.

The above information has been derived from the Fund's audited statutory general purpose financial statements for the years ended 30 June 2013, 2014 and 2015. Please see our website for a full copy of these reports at www.australianunityofficefund.com.au.

Discussion and analysis of historical income statements

FY13 vs. FY14:

The increase in **net property income** from FY13 to FY14 reflects the contribution to income from 2 Eden Park Drive, North Ryde which was acquired on 20 June 2013; 5 Eden Park Drive, North Ryde which was acquired on 11 February 2014; and the increase in the ownership stake from 50% to 100% of 30 Pirie Street, Adelaide on 11 February 2014.

Share of profit of associates accounted for using the equity method includes distributions from associates which own the respective properties as well as any net gain or loss in value of those properties. The decrease in the share of profits of associates from FY13 to FY14 reflects the divestment of the 50% interest in 80 Stirling Street, Perth on 28 June 2013; the divestment of the 19.99% interest in 260-300 Elizabeth Street, Sydney on 29 November 2013; and the increase in the ownership stake from 50% to 100% of 30 Pirie Street, Adelaide on 11 February 2014 (from which time income from this property is fully consolidated and included in net property income).

Borrowing costs reduced by \$2.0 million from FY13 to FY14 as the effective interest rate reduced following restructuring of interest rate swaps in December 2012.

FY14 vs. FY15:

The increase in **net property income** from FY14 to FY15 was largely attributed to the full year contribution to income in FY15 from 5 Eden Park Drive, North Ryde which was acquired on 11 February 2014; and 30 Pirie Street, Adelaide with the Fund's ownership stake increasing to 100% on 11 February 2014.

There were no properties partly held during FY15 as the Fund held a 100% interest in all properties from 11 February 2014.



241 Adelaide St, Brisbane, QLD

Seven

Independent Limited Assurance Report

**Australian
Unity** 

7. Independent Limited Assurance Report



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23 May 2016

The Board of Directors
Australian Unity Investment Real Estate Limited,
as the proposed responsible entity of the Australian Unity Office Fund
114 Albert Road
South Melbourne VIC 3205

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL FINANCIAL INFORMATION, PRO FORMA HISTORICAL INCOME STATEMENT, PRO FORMA BALANCE SHEET AND FORECAST FINANCIAL INFORMATION

1. Introduction

We have been engaged by Australian Unity Funds Management Limited (“AUFML” or “Responsible Entity”), as the current responsible entity for the Australian Unity Office Property Fund (to be renamed the Australian Unity Office Fund) (the “Fund”) and Australian Unity Investment Real Estate Limited (“AUIRE”) as proposed responsible entity of the Fund, to report on the statutory historical financial information, pro forma historical income statement, pro forma balance sheet and forecast financial information of the Fund for inclusion in the Product Disclosure Statement (“PDS”) to be dated on or about 23 May 2016, and to be issued by AUIRE, in respect of the offer of units (the “Offer”) in the Fund.

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

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the Corporations Act 2001. Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services”) holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Stephen Lomas is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Statutory Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following statutory historical financial information of the Fund:

- ▶ the statutory historical income statements for the financial year ended 30 June 2015 (“FY15”) as set out in Table 2 of Section 6.4.1 of the PDS, and for the half year ended 31 December 2015 (“1H FY16”) as set out in Table 3 of Section 6.4.1; and
- ▶ the statutory historical balance sheet as at 31 December 2015 (“Statutory Historical Balance Sheet”) as set out in Table 7 of Section 6.7 of the PDS.

(Hereafter the “Statutory Historical Financial Information”)

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Australian Financial Services Licence No. 240585

7. Independent Limited Assurance Report *(continued)*



The Statutory Historical Financial Information for FY15 has been derived from the financial report of the Fund for the year ended 30 June 2015, which was audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion on the financial report.

The Statutory Historical Financial Information for 1HFY16 has been derived from the interim financial report of the Fund for the half year ended 31 December 2015, which was reviewed by Ernst & Young and on which an unqualified limited assurance conclusion was issued.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of the Australian Accounting Standards ("AAS") issued by the Australian Accounting Standards Board.

Pro Forma Historical Income Statement

You have requested Ernst & Young Transaction Advisory Services to review the pro forma historical income statement for 1HFY16 (the "Pro Forma Historical Income Statement") as set out in Table 3 of Section 6.4.1 of the PDS.

The Pro Forma Historical Income Statement has been derived from the statutory historical income statement for 1HFY16 after adjusting for the effects of the pro forma adjustments described in Table 3 of Section 6.4.1 of the PDS.

The Pro Forma Historical Income Statement has been prepared in accordance with the recognition and measurement principles of AAS, other than that it includes an adjustment which has been prepared in a manner consistent with AAS that reflects the exclusion of the costs relating to the Offer that occurred in the relevant periods.

Pro Forma Balance Sheet

You have requested Ernst & Young Transaction Advisory Services to review the pro forma balance sheet of the Fund as at Allotment, being 22 June 2016, (the "Pro Forma Balance Sheet") as set out in Table 1 of Section 6.3 and Table 7 of Section 6.7 of the PDS.

The Pro Forma Balance Sheet has been derived from the Statutory Historical Balance Sheet of the Fund, and adjusted for the effects of pro forma adjustments described in Notes (A) and (B) of Table 7 in Section 6.7 of the PDS.

The Pro Forma Balance Sheet has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they had occurred as at the Allotment Date.

Due to its nature, the Pro Forma Balance Sheet does not represent the Fund's actual or prospective financial position.

Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following forecast financial information of the Fund:

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7. Independent Limited Assurance Report (continued)



- ▶ the pro forma forecast income statement for the year ending 30 June 2016 ("FY16") (the "Pro Forma Forecast Income Statement") as set out in Table 2 of Section 6.4.1 of the PDS;
- ▶ the statutory forecast income statements for FY16 and the financial year ending 30 June 2017 ("FY17") as set out in Table 2 of Section 6.4.1 of the PDS; and for the half years ending 31 December 2016 ("1HFY17") and 31 December 2017 ("1HFY18") as set out in Table 3 of Section 6.4.1 of the PDS (together the "Statutory Forecast Income Statements"); and
- ▶ the forecast distribution statements for FY17 as set out in Table 4 of Section 6.4.2 of the PDS; and for 1HFY17 and 1HFY18 as set out in Table 5 of Section 6.4.2 of the PDS (the "Forecast Distribution Statements").

(Hereafter "the Forecast Financial Information").

(Collectively "the Financial Information")

The directors' best-estimate assumptions underlying the Forecast Financial Information are described in Section 6.5 of the PDS.

The stated basis of preparation used in the preparation of the Statutory Forecast Income Statements is in accordance with the recognition and measurement principles of AAS.

The Pro Forma Forecast Income Statement has been derived from the statutory forecast income statement for FY16 after adjusting for the effects of the pro forma adjustment described in Table 2 of Section 6.4.1 of the PDS.

The Pro Forma Forecast Income Statement has been prepared in accordance with the recognition and measurement principles of AAS, other than that it includes an adjustment which has been prepared in a manner consistent with AAS that reflects the exclusion of the costs relating to the Offer that occurred in the relevant periods. Due to its nature, the Pro Forma Forecast Income Statement does not represent the Fund's actual or prospective financial performance for FY16.

The stated basis of preparation used in the preparation of the Forecast Distribution Statements is described in Section 6.2.5 of the PDS.

The Financial Information is presented in the PDS in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

3. Directors' Responsibility

Statutory Historical Financial Information, Pro Forma Historical Income Statement and Pro Forma Balance Sheet

The directors of AUIRE are responsible for the preparation and presentation of the Statutory Historical Financial Information, Pro Forma Historical Income Statement and Pro Forma Balance Sheet, including the basis of preparation, selection and determination of pro forma adjustments made to the statutory historical income statement for 1HFY16 and included in the Pro Forma Historical Income Statement, and the Statutory Historical Balance Sheet and included in the Pro Forma Balance Sheet. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information, Pro Forma Historical Income Statement and Pro Forma Balance Sheet that are free from material misstatement, whether due to fraud or error.

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Forecast Financial Information

The directors of AUIRE are responsible for the preparation and presentation of the Forecast Financial Information, including the basis of preparation, the best-estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Forecast Income Statement for FY16 and included in the Pro Forma Forecast Income Statement and Forecast Distribution Statements. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Statutory Historical Financial Information, Pro Forma Historical Income Statement and Pro Forma Balance Sheet

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, Pro Forma Historical Income Statement and Pro Forma Balance Sheet based on the procedures performed and the evidence we have obtained.

Forecast Financial Information

Our responsibility is to express a limited assurance conclusion on the Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information itself, based on our limited assurance engagement.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Statutory Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of the Fund, comprising:

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7. Independent Limited Assurance Report *(continued)*



- ▶ the statutory historical income statement for FY15 as set out in Table 2 of Section 6.4.1 of the PDS and for 1HFY16 as set out in Table 3 of Section 6.4.1; and
- ▶ the statutory historical balance sheet as at 31 December 2015 as set out in Table 7 of Section 6.7 of the PDS

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.2.2 of the PDS.

Pro Forma Historical Income Statement

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Income Statement of the Fund is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.2.3 of the PDS.

Pro Forma Balance Sheet

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Balance Sheet of the Fund, as set out in Table 1 of Section 6.3 and Table 7 of Section 6.7 of the PDS, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.2.4 of the PDS.

Forecast Financial Information

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

- ▶ the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Forecast Financial Information; and
- ▶ in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best estimate assumptions as described in Section 6.5 of the PDS; and
 - is not presented fairly in accordance with the stated basis of preparation, as described in Section 6.2.5 of the PDS; and
- ▶ the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by management and adopted by the directors of AUIRE in order to provide prospective investors with a guide to the potential financial performance and distribution of the Fund. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Fund. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of

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7. Independent Limited Assurance Report (continued)



assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusions expressed in this report have been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Fund, which are detailed in the PDS and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 6.6 and Section 9 of the PDS. The sensitivity analysis described in Section 6.6 of the PDS demonstrates the impact on the forecast funds from operations of changes in key best-estimate assumptions. We express no opinion as to whether the forecast or pro forma forecast will be achieved.

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

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 6.2 of the PDS, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the PDS in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of this Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Stephen Lomas
Director and Representative

7. Independent Limited Assurance Report (continued)



23 May 2016

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT LIMITED ASSURANCE REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

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7. Independent Limited Assurance Report (continued)



5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$31,900 (inclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in this PDS in Section 14, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

7. Independent Limited Assurance Report (continued)



Contacting Ernst & Young Transaction Advisory Services	Contacting the Independent Dispute Resolution Scheme:
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.



468 St Kilda Rd, Melbourne, VIC



Eight

Summary of Valuation Reports

8. Summary of Valuation Reports



13 April 2016
Our Ref: 506267AJ

The Directors
Australian Unity Investment Real Estate Limited
as the proposed responsible entity of the Australian Unity Office Fund
Level 14, 114 Albert Road
South Melbourne VIC 3205

Savills Valuations Pty Ltd
ABN 73 151 048 056
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F +61 08 8237 5099

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Adelaide SA 5000
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Dear Directors,

Re: Valuation Summary Letter for 30 Pirie Street, Adelaide, SA

We refer to your instructions requesting a Market Valuation for 30 Pirie Street, Adelaide for Product Disclosure Statement (PDS) as at 30 April 2016. This property was inspected on 11 April 2016.

The following is a summary of the report. Parties seeking detailed information of our valuation should refer to the valuation report as at 30 April 2016 held by Australian Unity Funds Management Limited in its capacity as the Responsible Entity of the Australian Unity Office Property Fund. We confirm our valuation was prepared in accordance with the Corporations Act and the Australian Property Institute's guidelines.

1 Property Description

The property is situated on the northern side of Pirie Street within the heart of the Adelaide CBD in the recognised core precinct, approximately 250 metres north-east of the Adelaide GPO, on the corner of Exchange Lane and about 100 metres east of King William Street. The subject property also has vehicular access off McHenry Street via Gawler Place. The site contains an important north-south pedestrian link along its eastern boundary as defined in the Development Plan for the area by the City of Adelaide, which effectively links Pirie Street with Grenfell Street via a plaza adjacent the Grenfell Centre to the north of the subject property. The surrounding area is developed with a variety of multi-level office buildings with most providing ground floor retail and upper floor office accommodation.

8. Summary of Valuation Reports (continued)

30 Pirie Street, Adelaide, SA | Our Ref: 506267
30 April 2016



The building on the site comprises a 26 level office tower completed in 1987 for occupation by Telstra with extensive internal refurbishment was undertaken in 2012. The building provides a basement, ground floor retail, mezzanine and 23 levels of office accommodation. The ground floor comprises an upgraded facade, a modern cafe tenancy located on the western side of the foyer with internal dining and outdoor dining area to the front of the building. A Telstra retail tenancy is located on the eastern side of the foyer. A former ground floor theatre was removed as part of the upgrade and replaced with an "end of trip facility" comprising change rooms and a bike rack enclosure accommodating approximately 80 bike racks. There is a basement loading bay and service area and a roof top plant room. The majority of the upper level office floors have fully upgraded base building services and office fitout to provide a good level of accommodation. The building currently has a 4.0 star NABERS Energy Rating.

2 Tenure

The property represents a freehold asset legally described as Allotment 871 in Filed Plan 181713, Certificate of Title Volume 6137 Folio 543 in the area named Adelaide, Hundred of Adelaide.

3 Market and Sales Commentary

Market Commentary, along with the most relevant sales and leasing evidence is summarised in our Valuation Report dated 30 April 2016, held by Australian Unity Funds Management Limited.

4 Valuation Assessments

We have assessed the valuation on the basis of freehold title, subject to the existing tenancy.

The valuation has been determined by reconciliation between the Capitalisation of Net Income approach, the Discounted Cash Flow (DCF) approach, and the Direct Comparison approach. This is an accepted range of valuation approaches for investment assets such as the subject property.

8. Summary of Valuation Reports (continued)

30 Pirie Street, Adelaide, SA | Our Ref: 506267
30 April 2016



In addition to quantifying the value of the net income derived from the property, our calculations also account for a number of additional aspects regarding the property. These are detailed in the full valuation report; however, some common factors are summarised as follows:

Outgoings We have been provided with budgeted outgoing for the year ending 30 June 2016 which total \$3,040,234, equating to \$122.69/m² of net lettable area. These outgoing have been supplied to us by our instructing party. We have reviewed the supplied outgoing and note that overall the budgeted expenses appear reasonable. We have made minor adjustment to Land Tax and ESL to reflect the current statutory assessments and our adopted outgoing total \$3,058,674 or \$123.43/m² of net lettable area.

Investment Parameters The table below sets out a summary of the investment parameters adopted in assessing the value of the subject as at 30 April 2016:

Net Market Income	Adopted Capitalisation Rate	Adopted Discount Rate	Adopted Value	Building Rate on NLA (\$sqm)	Passing Yield	IRR
\$8,613,185	7.50%	8.50%	\$117,000,000	\$4,721	8.33%	8.39%

5 DCF Qualifications

We draw your attention the fact that the DCF analysis is based on projections considered in the light of available data. However, the market conditions will change over time influenced by internal and external factors against which a review of assumptions may be warranted. For this reason, we stress that reliance upon such projections must be made with full acceptance of their limited reliability and with due consideration of the commercial risks related to such forecasts. In particular, we stress the DCF exercise referred to herein has been undertaken for the sole purpose of assisting in the determination of the current market value of the property and we make no guarantees or warranty as to the accuracy of future rental income stream projections insofar as they relate to market rental movements.

8. Summary of Valuation Reports (continued)

30 Pirie Street, Adelaide, SA | Our Ref: 506267
30 April 2016



6 Company Qualifications

Savills Valuations Pty Ltd has prepared this letter and the format valuation based upon information made available to us at the date of valuation. We believe that this information is accurate and complete; however, we have not independently verified all such information. Savills Valuations Pty Ltd is not providing advice about a financial product, nor the suitability of the investment set out in the PDS Document. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Savills does not, nor does the Valuer, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the property detailed in this valuation summary letter.

Savills Valuations Pty Ltd has prepared this summary for inclusion in the PDS Document and has only been involved in the preparation of this summary and the valuation referred to therein. Savills Valuations Pty Ltd specifically disclaims liability to any person in the event of any omission from, or false or misleading statements included in, the PDS Document, other than in respect of the valuation and this summary. This letter has been countersigned to verify the letter is issued by this company. Any reliance upon this letter should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before-mentioned manner. Savills Valuations Pty Ltd's liability is limited by a scheme approved under Professional Standards Legislation.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value are excluded as is liability where the valuation is relied upon after the date of the valuation.

Savills Valuations Pty Ltd liability is limited by a scheme approved under Professional Standards Legislation.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Al Johnston", written over a horizontal line.

Alastair Johnston AAPI
Certified Practising Valuer

A handwritten signature in purple ink, appearing to read "Tim Trnovsky", written over a horizontal line.

Tim Trnovsky
Associate Director
Valuation & Advisory

The Associate Director signatory verifies that this report is genuine, and issued by, and endorsed by Savills Valuations Pty Ltd. However the opinion expressed in this report has been arrived at by the prime signatory.



Liability limited by a scheme approved
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Printed: 22/04/2016

Cover of Excellence® and Cover of Excellence and Star Device® are registered Trade Marks of the NSW Professional Standards Council.

8. Summary of Valuation Reports (continued)



19 April 2016

The Directors
Australian Unity Investment Real Estate Limited
as the proposed Responsible Entity of the Australian Unity Office Fund
Level 14, 114 Albert Road
SOUTH MELBOURNE VIC 3205

Dear Directors

VALUATION: 10 VALENTINE AVENUE PARRAMATTA NSW

Instructions

We refer to instructions issued by Australia Unity Funds Management Limited, dated 31 March 2016 as responsible entity for the Australian Unity Office Property Fund requesting Knight Frank Valuations to prepare a market valuation of the freehold interest of the abovementioned property subject to existing leases, as at 30 April 2016.

Our Valuation is conditional upon there being no event between the date of this correspondence and the date of valuation which would materially impact upon the value of the property. The reliant parties should satisfy themselves in this regard.

We provide this summary of our valuation for inclusion in the Product Disclosure Statement. This summary provides an outline of the key factors which have been considered in arriving at our opinion of value. For further information, reference should also be made to our Valuation Report dated 30 April 2016. We refer the reader to Australian Unity Funds Management Limited to obtain copies of our Valuation Report. The Valuation Report in particular draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis in addition to key critical conditions, assumptions, disclaimers, limitations, qualifications and recommendations. This correspondence is subject to and should be read and considered together with the Valuation Report.

We note that the valuation is current as at the date of valuation only we can give no guarantee that the property or value has not altered since the date of valuation.

Basis of Valuation

Market Value as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) and embodied within the current Corporations Law, is as follows:

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PO Box 1952, North Sydney NSW 2059
www.knightfrank.com.au

Valuations Services (NSW) Pty Ltd ABN: 83 079 862 990, trading under licence as Knight Frank Valuations, is independently owned and operated, is not a member of and does not act as agent for the Knight Frank Group.
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8. Summary of Valuation Reports (continued)

- 2 -



"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion."

Information

In formulating our valuation, we have relied upon property information provided by the instructing party, including but not limited to the following:

- Tenancy Schedule dated 30 April 2016.
- Copies of leases and licenses.
- Actual/budgeted outgoings.
- Budgeted capital expenditure.
- Lettable area surveys.

Where possible, within the scope of our retainer and limited to our expertise as valuers, we have reviewed this information including by analysis against industry standards. Based upon that review, we have no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, our enquiries are necessarily limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or "due diligence" investigation might disclose.

We have disregarded the presence of any mortgage or other financial liens pertaining to the property.

Valuation Summary

We have assessed the market value of the property, subject to the existing leases as per terms and conditions advised, as at 30 April 2016 at **\$69,500,000** (GST Exclusive), subject to the qualifications, conditions and assumptions contained within this letter and our valuation report.

Brief Description of the Property

The property comprises a 14 level A-grade commercial office building with a basement parking level and an attached six level carpark, for a total of 311 cars. The total net lettable area of the building is 15,995.2m². The building features stepped and recessed wall elevations, balconies at Level 13 and ground level colonnade, and has a current NABERS rating of 5 Star Energy and 3.5 Star Water.

The property is located on the north-eastern side of Valentine Avenue, within the Southern Precinct of the Parramatta CBD. The property is immediately adjacent to a public forecourt and the entrance to the Parramatta railway station. Surrounding development is of a commercial nature close to the bus/rail interchange and being within 200 metres of the Westfield Shopping Centre. The Southern Precinct is characterised by a strong presence of Government tenants in nearby Wentworth Street.

8. Summary of Valuation Reports (continued)

- 3 -



Tenancy Overview

The building currently accommodates two tenants (Government Property NSW and Tea & Kaing). Income is derived from office and cafe components, with part of the parking component leased to a car park operator.

Income Profile

We have assessed the net passing income for the property as at the date of valuation to be \$5,170,265 per annum plus GST.

The passing income is based on our review and analysis of the tenancy information provided. We note that should any of the information provided be found erroneous or has varied, we reserve the right to review and if necessary, amend our valuation.

Market Commentary

Market Commentary along with the most relevant recent sales and leasing evidence is summarised in our valuation report dated 30 April 2016 held by AUFM as RE for AUOPF.

Valuation Methodology

The valuation has been determined via reconciliation between the capitalisation and discounted cash flow (10 year) methods of valuation, with support from direct comparison methodology.

Under the capitalisation approach, the assessed net face market income as at the date of valuation is capitalised at an appropriate market yield to establish the property's market value fully leased. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.

The discounted cashflow approach incorporates the estimation of future annual cash flows over a 10 year investment horizon from the valuation date by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate (target IRR) to derive a net present value for the property as at the valuation date.

Valuation Analysis & Assumptions

Material variables adopted in undertaking the valuation include, but are not limited to, the following.

- Assessed net market income of \$7,055,850 per annum.
- Adopted outgoings of \$1,333,624 per annum (\$83.38/m²).
- Capitalisation rate of 8.50% in the capitalisation approach.
- Average of 3.5% pa rental growth over the 10 year DCF horizon.
- 10 year discount rate of 9.00%.
- Terminal yield of 8.75%.

8. Summary of Valuation Reports (continued)

- 4 -



Summary of Value

The assessed value of **\$69,500,000** (GST exclusive) reflects the following investment parameters:

Initial Yield	Core Market Yield	IRR	Rate/m ² NLA
7.44%	8.52%	9.00%	\$4,345

Qualifications & Disclaimers

- Knight Frank Valuations have prepared this summary which appears in this PDS for Australian Unity Funds Management Limited in its capacity as the Responsible Entity of the Australian Unity Office Property Fund. Knight Frank Valuations were involved only in the preparation of this summary and the valuations referred to therein, and specifically disclaim liability to any party in the event of any omission from, or false or misleading statement included in, the PDS or other document, other than in respect of our valuations and this letter. The Valuation Report and this Summary letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the information memorandum.
- Knight Frank Valuations has consented to this summary being included in this PDS, but Knight Frank Valuations is not providing advice about a financial product, nor the suitability of the investment set out in this PDS. Such an opinion can only be provided by a person that holds an Australian Financial Services Licence. Knight Frank Valuations does not hold such a licence and is not operating under any such licence in providing its opinions of value as detailed in this summary and our valuation reports.
- References to the value and other matters contained within this summary letter have been extracted from our Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis in addition to key critical conditions, assumptions, disclaimers, limitations, qualifications and recommendations. We recommend that this Summary letter must be read and considered together with the Valuation Report.
- In the case of information contained within the valuation which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market perceptions. It follows that any one of the assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted in this event and regular update valuations should be obtained to determine the effect on value associated with any movements in the market. Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
- Our valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

8. Summary of Valuation Reports (continued)

- 5 -



- Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three (3) months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.
- Knight Frank Valuations has prepared this letter based upon information provided. We have no reason to believe that the information is not fair and reasonable or that material facts have been withheld and this valuation is conditional upon this information being correct.
- This valuation does not purport to be a site or structural survey of the improvements, nor was any such survey undertaken. Overall, our valuation is conditional upon any detailed reports with respect to the structure and service installation of the improvements not revealing any defects or inadequacies requiring significant capital expenditure.
- Knight Frank Valuations has received fees in connection with the preparation of our valuation and this summary. The fee is not in any way linked to nor has it influenced the opinion of value noted and Knight Frank Valuations does not have any pecuniary interest in Australian Unity Funds Management Limited or the Australian Unity Office Property Fund and has provided this report solely in its capacity as independent professional advisor.

Yours faithfully

KNIGHT FRANK VALUATIONS

MATT LUCAS BBus (PropEc) AAPI
Certified Practising Valuer
Associate Director

DAVID M CASTLES
National Director
(Counter-signatory only)

Reference: N2944_Prospectus Letter

Liability limited by a scheme approved under Professional Standards Legislation.

8. Summary of Valuation Reports (continued)



30 April 2016
Our Ref: RN:AI:62467

The Directors
Australian Unity Investment Real Estate Limited
as the proposed Responsible Entity of the Australian Unity Office Fund
Level 14, 114 Albert Road
South Melbourne, VIC 3205

Savills Valuations Pty Ltd
ABN 73 151 048 056
E rnicolson@savills.com.au
DL +61 02 8215 8987
F +61 02 8215 8859

Level 7
50 Bridge Street
Sydney NSW 2000
Australia
T +61 02 8215 8888
savills.com.au

Dear Directors,

Re: Valuation Summary Letter for 5 Eden Park Drive, North Ryde, NSW

We refer to your instructions requesting a Market Valuation for 5 Eden Park Drive, Macquarie Park for Product Disclosure Statement (PDS) purposes as at 30 April 2016. This property was inspected on 8 April 2016.

The following is a summary of the report. Parties seeking detailed information of our valuation should refer to the full valuation report at 30 June 2015 and the update valuation report at 30 April 2016 held by Australian Unity Funds Management Limited as Responsible Entity for the Australian Unity Office Property Fund. We confirm our valuation was prepared in accordance with the Corporations Act and the Australian Property Institute's guidelines.

1 Property Description

The subject property is located at North Ryde, an inner north-western suburb of Sydney, located approximately 15 kilometres by road from the Sydney Central Business District and within the Local Government Area administered by Ryde City Council. The subject property is situated on Eden Park Drive, approximately 50 metres north of its intersection with Waterloo Road. The subject property is well-positioned in relation to the Macquarie Park Railway Station, which is approximately 500 metres by road to the north-west, being on the corner of Waterloo and Lane Cove Roads. Surrounding development includes Thomas Holt Drive and The Computer Associates, with the DuPont buildings in Eden Park Drive adjoining. Immediately to the west of the subject is the NextDC data centre.

The property was completed in 2004 and comprises a four-level predominantly office building, which also incorporates a production component with an adjoining single-level warehouse. There is basement car parking for 247 vehicles and the total NLA is 11,032.7m².

8. Summary of Valuation Reports (continued)

5 Eden Park Drive, North Ryde, NSW | Our Ref: 62467
30 April 2016



CPSA occupies the Ground Floor and Level 1 of the office building together with the warehouse and production area. Levels 2 and 3 provide office accommodation. Level 2 is split into two tenancies, with Level 2 Suite 1 being vacant and Suite 2 being occupied by PACOM Systems, whilst the entire Level 3 is occupied by the Commonwealth of Australia. The building is designed such that the Ground Floor and Level 1 have a separate lift lobby and entrance to that of Levels 2 and 3. The Ground Floor and Level 1 were specifically constructed for CPSA, and are of 5.4 metres in height to facilitate its fit-out. Levels 2 and 3 are office floors of standard floor to ceiling height.

2 Tenure

The property represents a freehold asset known as Lot 15 in Deposited Plan 1148612 at North Ryde, Local Government Area of Ryde, Parish of Hunters Hill and County of Cumberland.

3 Market and Sales Commentary

Market commentary, along with the most recent sales and leasing evidence is summarised in our valuation report dated 30 April 2016 held by Australian Unity Funds Management Limited.

4 Valuation Assessments

We have assessed the valuation on the basis of freehold title, subject to the existing tenancies.

The valuation for each property has been determined by reconciliation between the Discounted Cash Flow (DCF) approach, the Capitalisation of Net Income approach and the Direct Comparison approach. This is an accepted range of valuation approaches for investment assets such as the subject properties.

In addition to quantifying the value of the net income derived from the properties, our calculations also account for a number of additional aspects regarding the property. These are detailed in the full valuation reports; however, some common factors are summarised as follows below and overleaf:

Outgoings: We have been provided with budgeted outgoing for the year ending 30 June 2016 which total \$684,841, equating to \$62.07/m² of net lettable area. These outgoing have been supplied to us by the instructing party. We have reviewed the supplied outgoing and note that all budgeted expenses appear reasonable.

8. Summary of Valuation Reports (continued)

5 Eden Park Drive, North Ryde, NSW | Our Ref: 62467
30 April 2016



Investment Parameters: The table below sets out a summary of the investment parameters adopted in assessing the value of the subject as at 30 April 2016.

Net Passing Income	Net Market Income	Adopted Capitalisation Rate	Adopted Discount Rate	Adopted Value	Building Rate on NLA (\$sqm)	Passing Yield	IRR
\$3,388,935	\$3,677,338	7.75%	9.00%	\$40,800,000	\$3,698	8.31%	9.16%

5 DCF Qualifications

We draw your attention the fact that the DCF analysis is based on projections considered in the light of available data. However, the market conditions will change over time influenced by internal and external factors against which a review of assumptions may be warranted. For this reason, we stress that reliance upon such projections must be made with full acceptance of their limited reliability and with due consideration of the commercial risks related to such forecasts. In particular, we stress the DCF exercise referred to herein has been undertaken for the sole purpose of assisting in the determination of the current market value of the property and we make no guarantees or warranty as to the accuracy of future rental income stream projections insofar as they relate to market rental movements.

6 Company Qualifications

Savills Valuations Pty Ltd has prepared this letter and the format valuation based upon information made available to us at the date of valuation. We believe that this information is accurate and complete; however, we have not independently verified all such information. Savills Valuations Pty Ltd is not providing advice about a financial product, nor the suitability of the investment set out in the PDS Document. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Savills does not, nor does the Valuer, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the property detailed in this valuation summary letter.

Savills Valuations Pty Ltd has prepared this summary for inclusion in the PDS Document and has only been involved in the preparation of this summary and the valuation referred to therein. Savills Valuations Pty Ltd specifically disclaims liability to any person in the event of any omission from, or false or misleading statements included in, the PDS Document, other than in respect of the valuation and this summary.

8. Summary of Valuation Reports (continued)

5 Eden Park Drive, North Ryde, NSW | Our Ref: 62467
30 April 2016



This letter has been countersigned to verify the letter is issued by this company. Any reliance upon this letter should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before-mentioned manner. Savills Valuations Pty Ltd's liability is limited by a scheme approved under Professional Standards Legislation.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value are excluded as is liability where the valuation is relied upon after the date of the valuation.

Savills Valuations Pty Ltd liability is limited by a scheme approved under Professional Standards Legislation.

Yours sincerely,

A handwritten signature in black ink, appearing to read "R. Nicolson", written over a horizontal line.

Russell Nicolson AAPI
Certified Practising Valuer
Director



Liability limited by a scheme approved
under Professional Standards Legislation

Savills Valuations Pty Ltd | ABN 73 151 048 056
Printed: 19/04/2016

Cover of Excellence® and Cover of Excellence and Star Device® are registered Trade Marks of the NSW Professional Standards Council.

8. Summary of Valuation Reports (continued)

VALUATION & ADVISORY SERVICES



CBRE Valuations Pty Limited
ABN 15 008 912 641

Level 5, The Barrington
10-14 Smith Street
Parramatta NSW 2150

T 61 2 9891 3330
F 61 2 9891 5533
www.cbre.com.au

20 April 2016

The Directors
Australian Unity Investment Real Estate Limited
as the proposed Responsible Entity of the Australian Unity Office Fund
Level 14, 114 Albert Road
South Melbourne VIC 3205

Via Email: gnichols@australianunity.com.au

Dear Directors,

Summary of Valuation Report for: 32 Phillip Street, Parramatta NSW 2150

Instructions

CBRE Valuations Pty Limited ("CBRE") accepted instructions dated **5 April 2016** to prepare a Market Valuation for the interest in the property listed above. The Valuation is to be relied upon for Product Disclosure Statement and First Mortgage Security purposes only and is specifically addressed for use by the reliant parties only. The Valuation is prepared in accordance with the Australian Property Institute Australia and New Zealand Valuation and Property Standards January 2012, having regard to ANZVGN 8, Valuations for use in Offer Documents. The instructions specifically request us to provide our opinion of the Market Value for the subject property as at **30 April 2016** on the following basis:

1. Freehold Market Value - As Is - Subject to Existing Tenancies.

CBRE has been instructed to provide a Full Valuation Report in addition to this Summary Letter which is included in the syndication Product Disclosure Statement. In accordance with ANZVGN 8, our Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed Property Risk Assessment and SWOT Analysis, plus the report details our Critical Assumptions, Assumptions, Disclaimers, Limitations and Qualifications and our Recommendations.

As commercial investments of this nature are inherently complex and market conditions have changed and/or have been uncertain in recent times, it is considered prudent to consider the entire contents of our Valuation Report. Therefore, we recommend that this Summary Letter is to be read and considered together with the Valuation Report. We accept no responsibility for reliance upon the Summary Letter. We refer the reader to **Australian Unity Funds Management Limited** to obtain a copy of our Valuation Report.

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8. Summary of Valuation Reports (continued)

VALUATION & ADVISORY SERVICES



Brief Description of the Property and Tenancy Details

A 13 level commercial office building comprising 4 upper levels of parking and 8 upper levels of office accommodation. The property provides a separate ground level office/retail suite, with its own entry off Phillip Street. The subject is located within the northern portion of the Parramatta commercial centre and is in close proximity to the Church Street retail strip. The building has been recently fully refurbished, with the cashflow of the asset underpinned by a lease to GE Capital Finance Australasia Pty Limited, occupying the building in its entirety.

Market Movement

The valuation referred to above represents the value of the property as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property or particular property sector). CBRE is not liable for losses arising from any subsequent changes in value.

Critical Assumptions and Reliance on Information Provided

A summary of select Critical Assumptions noted in the full Valuation Report are noted as follows:

- Net Lettable Areas:

Lettable areas adopted herein have been deduced from tenancy schedule documentation and cross referenced with net lettable area plans provided to us by the Instructing Party. We reserve the right to reconsider our findings in the event of a survey being completed in accordance with the Property Council of Australia's Method of Measurement, indicating differing areas from those adopted herein.

- Flooding:

Our perusal of the flood map contained within Parramatta City Council's City Centre Local Environmental Plan 2007 indicates that a small portion of the north-eastern corner of the subject property is situated within a flood prone location within the Parramatta CBD. We note that it is not unusual for various areas within Parramatta's CBD to be recorded on the flood mapping – particular locations affected are the dips and depressions of the CBD's road system and areas in proximity to Parramatta River.

Given the use of the property as passive office and retail use, it is not considered to have a material impact on the value.

The Reliant Party may wish to confirm the flood mapping information by obtaining an expert hydrologist's report. If further flooding data is obtained, we reserve the right to review and if necessary amend the valuation.

- Tenancy & Financial Information:

We have relied upon information provided to us by the Instructing Party with respect to passing rental income, outgoings as well as recoverable outgoings which we have cross referenced against lease documentation. In the event of information provided to us in the process of completing our findings prove to be inaccurate or misleading, we reserve the right to reconsider our findings.

8. Summary of Valuation Reports (continued)

VALUATION & ADVISORY SERVICES



There may be a total building expiry in June 2023. This inherent risk should be given consideration in any investment or lending decisions.

- **GST:**

We have not been provided with legal advice regarding any non-recoverable GST liability in relation to the leases over the subject property. In the absence of such, we have relied upon the Instructing Party disclosing any current or potential GST shortfalls in either rent or outgoings payments.

- **Profit Rental:**

Passing rental is considered above market, therefore \$791,254 of the property's value is attributable to profit rent. It is important to note that the profit rent will continue to diminish until such leases expire, resulting in the value of the asset declining by the amount of profit rent during this timeframe. We recommend any Reliant Party has regard to this aspect as part of any investment or lending considerations.

- We have relied upon information provided by **Australian Unity Funds Management Limited**. We have relied upon the information supplied to us as being realistic, relating to matters such as lease provisions, rental income, outgoings, and other associated expenditure.

- Our valuation is based upon the most current information available at the time the valuation was prepared. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. Any subsequent change in lease terms may also have a corresponding change to the value.

Report Content

Our Valuation Report, in addition to the content noted earlier, contains detailed information and description pertaining to; Instructions, Use and Reliance, Site Details including Location, Legal, Environmental and Town Planning; and Building Improvements along with analysis of the asset's Occupational and Financial attributes. This is followed by a comprehensive Investment Market and Parramatta CBD Commercial Office Market Overview and details of the Sales Evidence regarded, along with our Investment Considerations. Finally, the report considers the value and marketability of the property. We again refer the reader of this letter to our Full Valuation Report for detail in respect of the above items.

Valuation Rationale

In arriving at our opinion of market value in accordance with the instructions, we have placed emphasis on the capitalisation of market net income approach and have also adopted discounted cashflow analysis. A detailed explanation of the assets investment credentials and the application of the discounted cashflow and capitalisation of market and/or passing income methodology is provided in the Valuation Report.

8. Summary of Valuation Reports (continued)

VALUATION & ADVISORY SERVICES



Valuation Summary

In accordance with the instructions, we summarise our valuation conclusions for **32 Phillip Street, Parramatta NSW 2150** as at **30 April 2016** as follows:

1. Market Value - As Is - Subject to Existing Tenancies.

\$37,750,000 (Thirty Seven Million Seven Hundred and Fifty Thousand Dollars), GST exclusive

The following tables outline our Valuation Conclusions, Assumptions and Tenancy Profiles as at **30 April 2016**.

SUMMARY OF VALUES

Capitalisation Analysis - Market Rentals	\$38,000,000
Discounted Cash Flow Analysis	\$37,500,000
Adopted for Valuation Purposes	\$37,750,000
Initial Yield	7.79%
Indicated Equivalent Yield	7.55%
Indicated IRR	8.96%
Value Rate \$psm of Lettable Area	\$5,585

8. Summary of Valuation Reports (continued)

VALUATION & ADVISORY SERVICES



Consent

CBRE provides its consent for the inclusion of this Summary Letter within the PDS to be issued by **Australian Unity Investment Real Estate Limited (AUIREL)** the proposed **Responsible Entity of AUOF** in connection with the Project, subject to the **Responsible Entity of AUOF** making recipients of the PDS aware of the following liability disclaimers.

- (a) CBRE is not operating under an Australian Financial Services License when providing the full Valuation Report or this Summary Letter and those documents do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest in/with **Australian Unity Office Fund**. CBRE disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the Prospectus, other than in respect to this Summary Letter and the full Valuation Report.
- (b) The Valuation Report and this Summary Letter are strictly limited to the matters contained within those documents and are not to be read as extending, by implication or otherwise, to any other matter in the PDS. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.
- (c) CBRE has prepared the full Valuation Report and this Summary Letter relying on and referring to information provided by third parties in including financial and market information ("Information"). CBRE assumes that the Information is accurate, reliable and complete and it has not tested the information in that respect.
- (d) References to the Property's value within this Summary Letter or the Prospectus have been extracted from CBRE's Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis as well as key critical assumptions, assumptions, disclaimers, limitations and qualifications and recommendations. As commercial investments of this nature are inherently complex and market conditions have changed in recent times, CBRE recommends that this Summary Letter and any references to value within the PDS must be read and considered together with the Valuation Report. This Summary Letter is to be read in conjunction with our full Valuation Report dated **30 April 2016** and is subject to the Assumptions, Limitations, Disclaimers and Qualifications contained therein. We refer the reader to **Australian Unity Funds Management Limited** to obtain a copy of the full report.
- (e) No responsibility is accepted for any loss or damage arising as a result of reliance upon this Summary Letter.
- (f) Neither this Summary Letter nor the full Valuation Report may be reproduced in whole or in part without prior written approval of CBRE.
- (g) CBRE charges a professional fee for producing valuation reports and the fee paid by the Responsible Entity of the **Australian Unity Office Property Fund** for the Valuation Report and this Summary Letter was \$2,750 (inclusive of GST).

8. Summary of Valuation Reports (continued)

VALUATION & ADVISORY SERVICES



- (h) We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the interest in the property.
- (i) This document is for the sole use of persons directly provided with it by CBRE. Use by, or reliance upon this document by anyone other than those parties named above is not authorised by CBRE and CBRE is not liable for any loss arising from such unauthorised use or reliance.

Yours sincerely
CBRE Valuations Pty Limited

A handwritten signature in black ink, appearing to read 'Robert Anderson', is written over a horizontal line.

Robert Anderson AAPI
National Director – Valuation and Advisory Services

8. Summary of Valuation Reports (continued)



15 April 2016

The Directors
Australian Unity Investment Real Estate Limited
as the proposed Responsible Entity of the Australian Unity Office Fund
Level 14, 114 Albert Road
SOUTH MELBOURNE VIC 3205

Dear Directors,

SUMMARY OF VALUATION REPORT

Property: 468 St Kilda Road, Melbourne VIC
Date of Valuation: 30 April 2016

We refer to your instructions requesting a market valuation of the freehold interest, subject to the existing tenancies, of the abovementioned property as at 30 April 2016. We understand that the valuation summary is required for inclusion in a Product Disclosure Statement (PDS). The following is a summary of the report for inclusion in the PDS. Parties seeking detailed information of our valuation should refer to our Full Valuation Report held by Australian Unity Funds Management Limited. We have not prepared the PDS.

We confirm our valuation was prepared in accordance with the Corporations Act and all relevant industry standards and codes.

The property was inspected on 14 April 2016.

1 Property Summary

The subject property is held in a single title located in the established commercial precinct of St Kilda Road, approximately 3 kilometres south of the Melbourne CBD. The site area of 2,311m² is zoned Commercial 1 under the Port Phillip Planning Scheme.

468 St Kilda Road comprises a 13 level office building with ground floor retail and basement car parking for 114 vehicles. The improvements total 11,186m² of net lettable area, featuring floor plates of approximately 900m². The property is positioned on the Western side of St Kilda Road with the main pedestrian entrance located on the eastern boundary of the site, via St Kilda Road. A secondary entrance is via the underground car park. Vehicular access to the multi-level car park is via a Queens Lane located on the rear western boundary.

The subject site enjoys close proximity to various transport links and amenities including the Fawkner Park and Albert Park Lake which the subject overlooks to the west from the higher levels of the building. The site is well serviced by major arterial road networks and public transport.

URBIS VALUATIONS & ADVISORY
LIABILITY LIMITED BY A SCHEME
APPROVED UNDER PROFESSIONAL
STANDARDS LEGISLATION

Level 12, 120 Collins Street
Melbourne VIC 3000 Australia

t 03 8663 4888 f 03 8663 4999 e info@urbis.com.au w urbis.com.au Urbis Valuations Pty Ltd ABN 28 105 273 522

MPEV-1297-006 PDS

Australia • Asia • Middle East

8. Summary of Valuation Reports (continued)

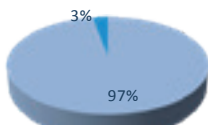


2 Lettable Areas

We have reviewed the lettable areas provided to us in the tenancy schedule. Based on this information, the lettable area of the subject premises is 11,186m². We have adopted the tenancy schedule areas for the purposes of this Valuation and summarise the details in the following table:

Lettable Areas

468 St Kilda Road, Melbourne

Accommodation	Area (M ²)	%	AREA ANALYSIS	
Office	10,864	97%		■ Office ■ Retail
Retail	322	3%		
Total Area	11,186	100%		

The subject property features two levels of basement car parking providing car bays for 114 vehicles. This represents a ratio of 1 bay per 98.12m² of net lettable area.

We have relied upon these areas for the purpose of this valuation and should these areas be found to be incorrect we reserve the right to review the valuation detailed herein.

3 Leases

The property is leased to a variety of tenants including two ground floor retail tenants.

We have been provided with and reviewed copies of all the Leases at the subject property, from which we have derived the passing rents for each Tenant as at the Date of Valuation. We retain copies of the Leases on file.

The Leases for the office components are generally structured on net rent terms with the tenant being responsible for all outgoings apportioned to their occupancy.

In terms of make good, the majority of tenants have conventional maintenance clauses requiring them to maintain the premises they occupy in good condition, although virtually all include the allowance for 'fair wear and tear'. Upon lease expiry, the majority of tenants are required to replace floor coverings, curtains and blinds which are worn or damaged and remove all Tenants Property. The landlord is responsible for costs relating to maintenance of the structure and fabric of the building and other items of capital nature. Generally, the Leases provide conventional arrangements, obligations and liabilities, and would be considered attractive by property investors.

We have included in our calculations the assumption that the agreed Heads of Agreement (HOA) for Investors Direct (ID Property Advisory) on Level 7 and Globe Telecom on Level 11 (Suite 1) progress to fully engrossed lease documents in line with the terms in the HoA. If the Lease is not engrossed in a format similar to that outlined within, we reserve the right to revisit this valuation.

4 Market Commentary

A detailed Market Commentary along with the most relevant recent sales and leasing evidence is summarised in our Valuation Report dated 30 April 2016, held by Australian Unity Funds Management Limited.

8. Summary of Valuation Reports (continued)



5 Valuation Analysis

This Valuation has been determined by reconciliation between the Capitalisation of Market Net Income and Discounted Cash Flow Approaches. This is an accepted range of valuation approaches for commercial investment assets such as the subject.

In addition to quantifying the value of the net income derived from the property our calculations also account for a number of additional aspects regarding the property summarised as follows:

The property is held in a single title and we have had regard to a provided outgoings budget, statutory notices and comparable property benchmarks.

Our adopted outgoings total \$1,260,489 per annum, reflecting \$112.68 per m² of NLA. The vacancy and one gross lease result in a shortfall amount of \$76,426.24 or \$6.83/m² per annum un-recoverable by the Landlord.

Taking into account the current sales activity within the market our comparison of the known attributes of each of the comparable properties and broader market evidence, we consider appropriate benchmarks or hurdle rates for the subject component to be:

- **Market Yield** 7.50%
- **IRR** 8.25%
- **Direct Comparison** \$3,750/m² - \$4,000/m²

The following table outline the outcomes of the valuation approaches undertaken in our analysis.

Valuation Reconciliation

468 ST KILDA ROAD, MELBOURNE

AS AT 30 APRIL 2016



Valuation Approach	Assessed Valuation
Reversionary Capitalisation Approach	\$43,274,413
Discounted Cash Flow Approach	\$43,795,630
Adopted Valuation (Rounded)	\$43,500,000
Analysis	
Initial Yield (Passing)	8.37%
Initial Yield (Fully Leased)	8.67%
Equivalent Market Yield	7.47%
IRR (10 Year)	8.34%
\$ Rate psqm Lettable Area	\$3,889 psqm

8. Summary of Valuation Reports (continued)



6 Disclaimers

6.1 PECUNIARY INTEREST

We confirm that neither Urbis nor the signatory to this Report have any pecuniary or other interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of value, or that would conflict with a proper valuation of the property. We advise that this position will be maintained until the purpose for which this valuation is being obtained is completed.

6.2 MARKET MOVEMENT

We are required to advise that this valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value is excluded as is liability where the valuation is relied upon after the date of the valuation.

6.3 INCLUSIONS AND EXCLUSIONS

Our valuation includes those items that form part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting, etc., that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed (by the occupant) or are used in connection with the business undertaken within the property.

6.4 GOODS AND SERVICES TAX

In our opinion the subject property is most likely to be defined as either a 'going concern' or the purchaser is entitled to claim an input tax credit under the relevant provisions of current GST legislation. Accordingly, a hypothetical sale of the interest valued herein is assumed to be GST free and our valuation is exclusive of any GST. Urbis takes no responsibility for the liability or otherwise for the payment of GST on an assumed sale of the interest valued herein.

In addition, any market rentals, passing rentals from existing leases and outgoings amounts are also assumed to be exclusive of GST unless stated to the contrary.

6.5 DCF QUALIFICATIONS

The discounted cash flow included in our valuation report has been prepared solely for the purpose of this valuation and does not necessarily correspond or reconcile with any cash flow forecast that is made by the owner for management and budgeting reasons.

The cash flow projections adopted within the report have been undertaken as part of our discounted cash flow analysis approach to valuation. Although such projections are necessary for the discounted cash flow valuation approach, past experience has provided a very clear reminder that forecasting future income and expenditure movements is particularly uncertain and hazardous. Accordingly, the projections provided within this report should be considered as a broad guide only and likely to undergo variation from time to time.

6.6 NOT FINANCIAL SERVICES ADVICE

Neither Urbis nor the appointed valuer are licensed to provide financial services and the information detailed herein (and the Full Valuation Report) is not intended to provide advice on your investment decision.

8. Summary of Valuation Reports (continued)



7 Valuation Summary

Subject to the terms, conditions and assumptions made within the our Full Valuation Report dated 30 June 2015 and associated disclaimers in Section 1.8 in addition to the disclaimers in Section 7 of our Update Valuation Report dated 30 April 2016, we have assessed the Market Value of the 100% Freehold Interest in the subject property as at 30 April 2016 to be:

\$43,500,000 (Forty Three Million Five Hundred Thousand Dollars)

The above value is exclusive of GST.

We are obliged to advise that this Summary of and Valuation is only for the use of the party to whom it is addressed, and no responsibility or liability is accepted to any third party for the whole or any part of its contents.

Urbis Valuations Pty Ltd operates under the Australian Property Institute Limited Liability Scheme which is a scheme approved under Professional Standards Legislation.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read "Ben Koops".

Ben Koops, AAPI
Associate Director
Certified Practicing Valuer
Australian Property Institute, Member No 63011

8. Summary of Valuation Reports (continued)



20 April 2016

The Directors
Australian Unity Investment Real Estate Limited
As the Proposed Responsible Entity of the Australian Unity Office Fund
Level 14, 114 Albert Road
South Melbourne VIC 3205

Dear Directors

RE: VALUATION: 241 ADELAIDE STREET, BRISBANE, QUEENSLAND

Instructions

We refer to instructions issued by Australian Unity Funds Management Limited ("AUFM"), dated 1 April 2016 as Responsible Entity for the Australian Unity Office Property Fund ("AUOPF") requesting Valuations Services (Qld) Pty Ltd, trading as Knight Frank Valuations Queensland and Knight Frank Health and Aged Care Queensland ("KFVQ") to prepare a market valuation of the long-term Head Leasehold and associated Sub-Leasehold interests in the above-mentioned property, subject to existing sub-leases, as at 30 April 2016.

Our valuation is conditional upon there being no event between the date of this correspondence and the date of valuation which would materially impact on the value of the property. The reliant parties should satisfy themselves in this regard.

We provide this summary of our valuation for inclusion in the Product Disclosure Statement. This summary provides an outline of the key factors which have been considered in arriving at our opinion of value. For further information, reference should also be made to our Valuation Report dated 30 April 2016. We refer the reader to Australian Unity Funds Management Limited to obtain a copy of our Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis in addition to key critical conditions, assumptions disclaimers, limitations, qualifications and recommendations. This correspondence is subject to and should be read and considered together with the Valuation Report.

We note that the valuation is current as at the date of valuation only we can give no guarantee that the property or value has not altered since the date of valuation.

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Valuations Services (Qld) Pty Ltd ABN: 35 084 750 612, trading under licence as Knight Frank Valuations Queensland and Knight Frank Health and Aged Care Queensland, is independently owned and operated, is not a member of and does not act as agent for the Knight Frank Group.
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8. Summary of Valuation Reports *(continued)*

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Basis of Valuation

Market Value as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) and embodied within the current Corporations Law, is as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Information

In formulating our valuation, we have relied upon property information provided by the instructing party including, but not limited to the following:

- A tenancy schedule for the Property as at 30 April 2016;
- Actual Outgoings for 2013/14 and 2014/15 Financial Years (FY);
- Budgeted outgoings for 2015/16 FY;
- Copies of various current lease documentation;
- Details of outstanding incentives;
- NABERS Energy and Water Certificates; and
- Current budgeted capital expenditure.

Where possible, within the scope of our retainer and limited to our expertise as valuers, we have reviewed this information including by analysis against industry standards. Based upon that review, we have no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, our enquiries are necessarily limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or "due diligence" investigation might disclose.

We have disregarded the presence of any mortgage or other financial liens pertaining to the property.

Valuation Summary

We have assessed the market value of the unencumbered Head Leasehold and associated Sub-Leasehold interest in the Property based on the available evidence and subject to existing sub-leases, as at 30 April 2016, at **\$35,500,000** (GST exclusive), subject to the qualifications, conditions and assumptions contained within this letter and our Valuation Report.

Brief Description of the Property

The Property, known as the Brisbane Club Tower comprises a modern, 21 storey commercial office tower completed in 1988, providing ground level retail accommodation, 20 upper levels of commercial office accommodation and 4 basement levels providing approximately 90 car parking spaces. The Brisbane Club (The Club) is accessed from Level 1 via a walkway between the adjoining Post Office Square and the Property. The Club premises comprise part of Level 1, all of Levels 2 to 5, parts of basements levels (including storage areas) and cellar floors, which are sub-leased back to The Club with expiry also in March 2063.

8. Summary of Valuation Reports (continued)

- 3 -



The ground floor level fronting Adelaide Street comprises retail premises and a lift lobby to the upper floors while Level 1 is at the level of the adjoining landscaped Post Office Square and provides an additional entry foyer to the office tower and The Club.

The service core for the building incorporates lifts, amenities, fire stairs and the plant room is located on Level 21. Level 20 within the building was previously an unfinished floor providing sound attenuation between office Level 19 and the plant room. However this floor has now been completed to provide an additional level of office accommodation, but with reduced window openings due to a concrete balustrade around the building at roof top level.

As at the date of inspection the building was considered to be in good condition and repair having regard of its age. The accommodation provided in the building is equivalent to a "B" Grade standard in terms of services and finishes.

Tenancy Overview

The Property accommodates 3 ground level retail tenancies plus 30, upper level office tenancies (2 of which are currently vacant). Ancillary income is also derived from car parking, profit on electricity and storage areas.

Overall the lease profile will require relatively intensive management, with approximately 46% of the NLA being subject to expiry within 5 years of the date of valuation. However, this is considered to be typical of an asset of this nature.

Income Profile

We have adopted net passing income for the Property as at the date of valuation of \$3,269,172 per annum plus GST.

The adopted passing income is based on our review and analysis of the tenancy information provided. We note that should any of the information provided be found erroneous or has varied, we reserve the right to review and if necessary, amend our valuation.

Market Commentary

Market Commentary along with the most relevant sales and leasing evidence is summarised in our update Valuation Report dated 30 April 2016 held by AUFM as RE for AUOPF.

Valuation Methodology

The valuation has been determined via reconciliation between the capitalisation and discounted cash flow (10 year) methods of valuation.

Under the capitalisation approach, the assessed net face market income as at the date of valuation is capitalised at an appropriate market yield to establish the property's market value fully leased. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.

8. Summary of Valuation Reports (continued)

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The discounted cashflow approach incorporates the estimation of future annual cash flows over a 10 year investment horizon from the valuation date by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate (target IRR) to derive a net present value for the property as at the valuation date.

Valuation Analysis & Assumptions

Material variables adopted in undertaking the valuation include, but are not limited to, the following:

- Assessed gross market income of \$5,601,666 per annum (including other income).
- Adopted outgoings of \$1,518,266 per annum.
- Capitalisation rate range of 9%.
- Average of 2.7% p.a. rental growth over the 10 year DCF horizon.
- 10 year Discount rate of 8.75%.

Summary of Value

The assessed value of **\$35,500,000** (GST exclusive) reflects the following investment parameters:

Initial Yield %	Core Market Yield %	IRR	Rate/m ² NLA
9.21%	8.96%	8.83%	\$3,190

Qualifications & Disclaimers

- KVVQ has prepared this summary which appears in this PDS for Australian Unity Funds Management Limited in its capacity as Responsible Entity for the Australian Unity Office Property Fund. KVVQ were involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaim liability to any party in the event of any omission from, or false or misleading statement included in, the PDS or other document, other than in respect of our valuation and this letter. The Valuation Report and this summary letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise to any other matter in the PDS.
- KVVQ has consented to this summary being included in this PDS, but KVVQ is not providing advice about a financial product, nor the suitability of the investment set out in this PDS. Such an opinion can only be provided by a person that holds an Australian Financial Services Licence. KVVQ does not hold such a licence and is not operating under any such licence in providing its opinions of value as detailed in this summary and our Valuation Report.
- References to the value and other matters contained within this summary letter have been extracted from our Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis in addition to key critical conditions, assumptions, disclaimers, limitations, qualifications and recommendations. We recommend that this summary letter must be read and considered together with the Valuation Report.

8. Summary of Valuation Reports (continued)

- 5 -



- In the case of information contained within the valuation which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market perceptions. It follows that any one of the assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted in this event and regular update valuations should be obtained to determine the effect on value associated with any movements in the market. Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only undertaken for the purpose of assisting to determine market value. No party may rely upon any financial projections or forecasts within this summary or the Valuation Report on the understanding that they are undertaken for the specific purpose of determining market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
- This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.
- Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three (3) months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.
- KVVQ has prepared this letter based upon information provided. We have no reason to believe that the information is not fair and reasonable or that material facts have been withheld and this valuation is conditional upon this information being correct.
- This valuation does not purport to be a site or structural survey of the improvements, nor was any such survey undertaken. Overall, our valuation is conditional upon any detailed reports with respect to the structure and service installation of the improvements not revealing any defects or inadequacies requiring significant capital expenditure.
- KVVQ has received fees in connection with the preparation of our valuation and this summary. The fee is not in any way linked to nor has it influenced the opinion of value noted and KVVQ does not have any pecuniary interest in Australian Unity Funds Management Limited or the Australian Unity Office Property Fund and has provided this report solely in its capacity as independent professional advisor.

Yours faithfully

KNIGHT FRANK VALUATIONS QUEENSLAND

A blue ink signature of Peter Zischke, consisting of a stylized 'P' followed by a horizontal line and a downward curve.

PETER ZISCHKE AAPI
Certified Practising Valuer
Registered Valuer (Qld) No. 3144
Director

A blue ink signature of Tim UHR, featuring a stylized 'T' followed by the letters 'UHR' in a cursive script.

TIM UHR
Director
(Counter signatory only)

8. Summary of Valuation Reports (continued)



19 April 2016

The Directors
Australian Unity Investment Real Estate Limited
as the proposed Responsible Entity of the Australian Unity Office Fund
Level 14, 114 Albert Road
SOUTH MELBOURNE VIC 3205

Dear Directors,

VALUATION: 2 EDEN PARK DRIVE, MACQUARIE PARK NSW

Instructions

We refer to instructions issued by Australia Unity Funds Management Limited, dated 31 March 2016 as responsible entity for the Australian Unity Office Property Fund requesting Knight Frank Valuations to prepare a market valuation of the freehold interest of the abovementioned property subject to existing leases, as at 30 April 2016.

Our Valuation is conditional upon there being no event between the date of this correspondence and the date of valuation which would materially impact upon the value of the property. The reliant parties should satisfy themselves in this regard.

We provide this summary of our valuation for inclusion in the Product Disclosure Statement. This summary provides an outline of the key factors which have been considered in arriving at our opinion of value. For further information, reference should be made to our Valuation Report dated 30 April 2016. We refer the reader to Australian Unity Funds Management Limited to obtain copies of our Valuation Reports. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis in addition to key critical conditions, assumptions, disclaimers, limitations, qualifications and recommendations. This correspondence is subject to and should be read and considered together with the Valuation Report.

We note that the valuation is current as at the date of valuation only we can give no guarantee that the property or value has not altered since the date of valuation.

Basis of Valuation

Market Value as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) and embodied within the current Corporations Law, is as follows:

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Valuations Services (NSW) Pty Ltd ABN: 83 079 862 990, trading under licence as Knight Frank Valuations, is independently owned and operated, is not a member of and does not act as agent for the Knight Frank Group.
™ Trade mark of the Knight Frank Group used under licence.



8. Summary of Valuation Reports (continued)

- 2 -



"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion."

Information

In formulating our valuation, we have relied upon property information provided by the instructing party, including, but not limited to the following:

- Tenancy Schedule dated 30 April 2016.
- Copies of leases and licenses.
- Actual/budgeted outgoings.
- Budgeted capital expenditure.
- Lettable area surveys.

Where possible, within the scope of our retainer and limited to our expertise as valuers, we have reviewed this information including by analysis against industry standards. Based upon that review, we have no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, our enquiries are necessarily limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or "due diligence" investigation might disclose.

We have disregarded the presence of any mortgage or other financial liens pertaining to the property.

Valuation Summary

We have assessed the market value of the property subject to the existing leases, as advised, as at 30 April 2016, at **\$28,700,000** (GST Exclusive), subject to the qualifications, conditions and assumptions contained within this letter and our valuation report.

Brief Description of the Property

The property comprises a 1999 completed 3 level 'hi-technology' building incorporating 2 levels of warehousing to rear. It comprises 16 office/warehouse units over ground and Level 1 (8 lower and 8 upper), whilst Level 2 comprises 8 office suites. There is a single security basement level providing parking for 118 cars, whilst external parking is provided for 70 cars (2 contractor) equating to 188 spaces in total. Concrete ramps provide vehicular access to the lower and upper warehouse levels.

The property is situated at the cul-de-sac north western end of Eden Park Drive which is a short no through road connecting to Waterloo Road, reasonably close to where it intersects Lane Cove Road. The location provides easy access to the three main orbital links in this location, being Epping Road, M2 Motorway and Lane Cove Road. It is within walking distance to Macquarie Park railway station. North Ryde/Macquarie Park is an established high tech business park however continues to evolve into a pure office park. It is currently the third largest office market in NSW and is located approximately 15 kilometres north-west of the Sydney Central Business District and approximately 10 kilometres from the North Sydney Business District.

8. Summary of Valuation Reports *(continued)*

- 3 -



Tenancy Overview

The building currently accommodates 17 tenants. Income is derived from office, office/warehouse, parking and storage components.

Income Profile

We have assessed the net passing income for the property as at the date of valuation to be \$2,342,426 per annum plus GST.

The passing income is based on our review and analysis of the tenancy information provided. We note that should any of the information provided be found erroneous or has varied, we reserve the right to review and if necessary, amend our valuation.

Market Commentary

Market Commentary along with the most relevant recent sales and leasing evidence is summarised in our valuation report dated 30 April 2016 held by AUFM as RE for AUOPF.

Valuation Methodology

The valuation has been determined via reconciliation between the capitalisation and discounted cash flow (10 year) methods of valuation, with support from direct comparison methodology.

Under the capitalisation approach, the assessed net face market income as at the date of valuation is capitalised at an appropriate market yield to establish the property's market value fully leased. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.

The discounted cashflow approach incorporates the estimation of future annual cash flows over a 10 year investment horizon from the valuation date by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate (target IRR) to derive a net present value for the property as at the valuation date.

Valuation Analysis & Assumptions

Material variables adopted in undertaking the valuation include, but are not limited to, the following.

- Assessed net market income of \$2,692,618 per annum.
- Adopted outgoings of \$701,191 (\$67.78/m²).
- Capitalisation rate of 8.25% in the capitalisation approach.
- Have reflected an average of 3.6% pa rental growth over the 10 year DCF horizon.
- 10 year discount rate of 9.0%.
- Terminal yield of 8.5%.

8. Summary of Valuation Reports (continued)

- 4 -



Summary of Value

The assessed value of **\$28,700,000** (GST exclusive) reflects the following investment parameters:

Initial Yield %	Core Market Yield %	IRR (%)	Rate/m ² LA
8.16%	8.25%	9.01%	\$2,774

Qualifications & Disclaimers

- Knight Frank Valuations have prepared this summary which appears in this PDS for Australian Unity Funds Management Limited in its capacity as the Responsible Entity of the Australian Unity Office Property Fund. Knight Frank Valuations were involved only in the preparation of this summary and the valuations referred to therein, and specifically disclaim liability to any party in the event of any omission from, or false or misleading statement included in, the PDS or other document, other than in respect of our valuations and this letter. The Valuation Report and this Summary letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the information memorandum.
- Knight Frank Valuations has consented to this summary being included in this PDS, but Knight Frank Valuations is not providing advice about a financial product, nor the suitability of the investment set out in this PDS. Such an opinion can only be provided by a person that holds an Australian Financial Services Licence. Knight Frank Valuations does not hold such a licence and is not operating under any such licence in providing its opinions of value as detailed in this summary and our valuation reports.
- References to the value and other matters contained within this summary letter have been extracted from our Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis in addition to key critical conditions, assumptions, disclaimers, limitations, qualifications and recommendations. We recommend that this Summary letter must be read and considered together with the Valuation Report.
- In the case of information contained within the valuation which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market perceptions. It follows that any one of the assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted in this event and regular update valuations should be obtained to determine the effect on value associated with any movements in the market. Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
- Our valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

8. Summary of Valuation Reports (continued)

- 5 -



- Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three (3) months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.
- Knight Frank Valuations has prepared this letter based upon information provided. We have no reason to believe that the information is not fair and reasonable or that material facts have been withheld and this valuation is conditional upon this information being correct.
- This valuation does not purport to be a site or structural survey of the improvements, nor was any such survey undertaken. Overall, our valuation is conditional upon any detailed reports with respect to the structure and service installation of the improvements not revealing any defects or inadequacies requiring significant capital expenditure.
- Knight Frank Valuations has received fees in connection with the preparation of our valuation and this summary. The fee is not in any way linked to nor has it influenced the opinion of value noted and Knight Frank Valuations does not have any pecuniary interest in Australian Unity Funds Management Limited or the Australian Unity Office Property Fund and has provided this report solely in its capacity as independent professional advisor.

Yours faithfully

KNIGHT FRANK VALUATIONS

A handwritten signature in black ink, appearing to read "Lachlan J Graham".

LACHLAN J GRAHAM AAPI
Certified Practising Valuer
Divisional Director

A handwritten signature in black ink, appearing to read "David M Castles".

DAVID M CASTLES
National Director
(Counter-signatory only)

Reference: N2943_Prospectus Letter

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8. Summary of Valuation Reports (continued)



Savills Valuations Pty Ltd

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10 National Circuit
Barton ACT 2600

The Directors
Australian Unity Investment Real Estate Limited
as the proposed Responsible Entity of the
Australian Unity Office Fund
Level 14, 114 Albert Road
South Melbourne, VIC 3205

Dear Directors,

Re: Valuation Summary Letter for 64 Northbourne Avenue, Canberra City, ACT

We refer to your instructions requesting a Market Valuation for 64 Northbourne Avenue, Canberra City, ACT for Product Disclosure Statement (PDS) purposes as at 30 April 2016. The property was inspected on 15 April 2016.

The following is a summary of the report. Parties seeking detailed information of our valuation should refer to the updated valuation report dated 30 April 2016, and the full valuation report dated 31 December 2015; both held by Australian Unity Funds Management Limited as the Responsible Entity of the Australian Unity Office Property Fund. We confirm our valuation was prepared in accordance with the Corporations Act and the Australian Property Institute's guidelines.

1 Property Description

The property is located in the central-northern section of the Canberra CBD, within 200 metres of the GPO, at the intersection of Northbourne Avenue, Bunda Street and Mort Street.

Surrounding development comprises mainly office tower developments, with the eastern boundary fronting the City Bus Interchange (Mort Street). The sites opposite the subject property to the north, which are currently developed with a small park and five obsolete office buildings, has had DA approval for 59,000m² of mixed use development (residential and office), although there has been no progress in the re-development of the site to date. The main retail precinct of the CBD is immediately to the east of the property.



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Printed: 31/08/2015

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8. Summary of Valuation Reports (continued)

64 Northbourne Avenue, Canberra City, ACT
30 April 2016



The location provides excellent exposure to Northbourne Avenue (the main road through the CBD), plus easy access to public transport and retail facilities. The location is considered to be above average for the current use.

The improvements to the site comprise a commercial office development that was originally constructed in 1985 and substantially refurbished at various times, the latest being in 2012 (new bathrooms, upgraded plant). The property is designed with basement car park, upper and lower ground floors, mezzanine (above lower ground floor with walk-up access from Mort Street), and five upper floors.

The total net lettable area (NLA) subject to current tenancy arrangements is 6,418.60m², of which 380m² are utilised for retail purposes, and 6,038.6m² are utilised for office purposes. The basement car park provides 33 parking bays.

The largest tenant is 'Cushman Wakefield/UGL Services' occupying 1,761m² on part of level four, and the whole of level five (27.4% of total NLA), and the next largest tenant is 'Defence Force Recruitment' occupying 1,265m² on the whole of level two (19.7% of total NLA). Noting that we have treated recent lease agreements with 'Palladium' and the Commonwealth of Australia ('ACLEI') as being executed leases, the current vacancy rate for the property is 12.3%.

2 Tenure

The property is a Crown Leasehold described as Block 6 Section 26 Division of City, Australian Capital Territory (ACT). This tenure is the standard tenure for real estate in the ACT. The Crown Lease is for a term of 99 years commencing 11 September 1998.

The annual rent for the Crown Lease is a nominal five (5) cents per annum, "...if and when demanded..."

3 Market and Sales Commentary

Market commentary, along with the most recent sales and leasing evidence is summarised in our full valuation report dated 31 December 2015, and subsequent updated valuation report dated 30 April 2016; both held by Australian Unity Funds Management Limited.

8. Summary of Valuation Reports (continued)

64 Northbourne Avenue, Canberra City, ACT
30 April 2016



4 Valuation Assessments

We have assessed the valuation on the basis of Crown Leasehold title, subject to the existing tenancies.

The valuation for the property has been determined by reconciliation between the Discounted Cash Flow (DCF) approach, and the Capitalisation of Net Income approach. This is an accepted range of valuation approaches for investment assets such as the subject property.

The table below sets out a summary of the investment parameters adopted in assessing the value of the subject property as at 30 April 2016:

Net Passing Income	Net Market Income	Adopted Capitalisation Rate	Adopted Discount Rate	Adopted Value	Building Rate (\$/m ² NLA)	Passing Yield	IRR
\$1,328,574	\$2,065,165	9.25%	11.00%	\$18,300,000	\$2,851	7.26%	11.00%

5 DCF Qualifications

We draw your attention the fact that the DCF analysis is based on projections considered in the light of available data. However, the market conditions will change over time influenced by internal and external factors against which a review of assumptions may be warranted. For this reason, we stress that reliance upon such projections must be made with full acceptance of their limited reliability and with due consideration of the commercial risks related to such forecasts. In particular, we stress the DCF exercise referred to herein has been undertaken for the sole purpose of assisting in the determination of the current market value of the property and we make no guarantees or warranty as to the accuracy of future rental income stream projections insofar as they relate to market rental movements.

6 Company Qualifications

Savills Valuations Pty Ltd has prepared this letter and the formal valuation report based upon information made available to us at the date of valuation. We believe that this information is accurate and complete; however, we have not independently verified all such information.

Savills Valuations Pty Ltd is not providing advice about a financial product, nor the suitability of the investment set out in the PDS Document. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Savills does not, nor does the Valuer, hold an Australian Financial Services Licence and is not operating under such a Licence in providing its opinion as to the value of the property detailed in this valuation summary letter.

8. Summary of Valuation Reports (continued)

64 Northbourne Avenue, Canberra City, ACT
30 April 2016



Savills Valuations Pty Ltd has prepared this summary for inclusion in the PDS Document and has only been involved in the preparation of this summary and the valuation referred to therein. Savills Valuations Pty Ltd specifically disclaims liability to any person in the event of any omission from, or false or misleading statements included in, the PDS Document, other than in respect of the valuation and this summary.

This letter has been signed to verify the letter is issued by this company. Any reliance upon this letter should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before-mentioned manner.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value are excluded as is liability where the valuation is relied upon after the date of the valuation.

Savills Valuations Pty Ltd liability is limited by a scheme approved under Professional Standards Legislation.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Philip Harding", written over a horizontal line.

Philip Harding FAPI
Certified Practising Valuer
Managing Director – Savills ACT



2 Eden Park Drive, North Ryde, NSW

Nine Risks



9. Risks

This Section describes the risks which the Directors currently believe to be the key risks associated with an investment in the Fund. It does not purport to be an exhaustive list of every risk faced by the Fund, now or in the future. Many of these risks, or the consequences of them, are outside the control of the Fund. If one or more of these risks eventuates, then the future operating performance of the Fund and the value of your investment in the Fund may be significantly affected.

You should ensure that you take the time to understand these risks, in conjunction with the other information set out in this PDS, before deciding to invest in the Fund. You should carefully consider whether an investment in the Fund is suitable for you, having regard to your own appetite for risk and investment objectives and your own financial and taxation position, and speak to a financial adviser. There can be no guarantee that the Fund will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

Before applying for Units, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Units are a suitable investment for you having regard to your own investment objectives, financial situation and particular needs (including financial and tax issues). If you do not understand any part of this PDS, or have any doubt about an investment in the Units or do not understand the risks below and their consequences, you should seek advice from your broker, lawyer, accountant, tax or other suitably qualified professional adviser before making a decision to invest.

9.1. Risks specific to the Fund

9.1.1. Reliance on key tenants

Distributions made by the Fund are largely dependent on the rents received from tenants across the Portfolio. A number of the Fund's Properties have significant or key tenants:

- The largest tenant (by income) is Telstra. Telstra occupies 30 Pirie Street, Adelaide, SA and its rent comprises approximately 30% of the Gross Property Income of the Fund¹;
- The second largest tenant (by income) is the NSW State Government which occupies 10 Valentine Avenue, Parramatta, NSW and its rent comprises approximately 15% of the Gross Property Income of the Fund; and
- The third largest tenant (by income) is GE Capital Finance which occupies 32 Phillip Street, Parramatta, NSW and its rent comprises approximately 8% of the Gross Property Income of the Fund.

If any tenant defaults in performing its obligations under the lease, or leaves, particularly if that tenancy cannot be re-let on equivalent terms within the estimated timeframes or at all, then Distributions and the Unit price of the Fund may be negatively affected. This risk is heightened where it is a key tenant whose rent represents a significant proportion of the Fund's Net Operating Income.

Further, if a Property remains wholly or materially vacant for any significant period of time, this may impact adjoining tenancies, may impact the Fund's ability to achieve market rents or may require higher incentives to be paid to secured tenants. Any negative impact on Net Operating Income (or consequential impacts on asset valuations) has the potential to impact on Distributions and the Unit price.

9.1.2. Funding and refinancing risk

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

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

9.1.3. Breach of debt covenants

The Proposed Debt Facility will contain financial covenants as described in Section 2.6.1 above which are based on the principal amount of debt outstanding, the Properties' valuations and net income tests. A breach of these covenants may be caused by many factors including a material and adverse event relating to a Property (such as the loss of a key tenant), reduced valuations or by market conditions including interest rate increases. A covenant breach may result in the Fund paying higher interest rates or the Lenders choosing to enforce their security over one or a number of Properties and/or requiring the Fund to pay down the Proposed Debt Facility immediately or on short notice. Alternative financing may not be available, or may only be available on less favourable terms. The Fund may be required to sell Properties or reduce or suspend Distributions in order to repay debt. The consequence of a breach of such a covenant may require the sale of one or more Properties to reduce debt. If a forced sale occurs, it could result in a less than optimal price or a capital loss, dilution through further equity raising, or suspension of Distributions to repay the Proposed Debt Facility.

9.1.4. Interest rates

Interest payable on the Proposed Debt Facility will depend on the interest rate (which is comprised of a fixed and variable base interest rate plus a margin) and the principal amount of debt outstanding. Fluctuations in interest rates will affect the financial performance of the Fund.

¹ Telstra has exercised its right to hand back two floors (approximately 9% of the Gross Property Income of the Property) under the terms of its lease at 30 Pirie Street, Adelaide in February 2017. This represents approximately 3% of the Gross Property Income of the Fund.

9. Risks (continued)

To the extent that interest rates are not hedged or fixed, the financial position including the cost of debt will be affected, and could result in decreased Distributions. If hedged through fixed rates or interest rate swaps and interest rates increase from current levels, similar interest rates may not be available upon extension/ refinancing of that debt or the implementation of new hedging strategies. At the date of this PDS, interest rates are generally at an historic low, and therefore upward movements in interest rates may have a comparatively high impact on net income to the extent that interest rates are not hedged (see Section 6.6).

To the extent that the Fund has hedged its exposure to interest rates (see Section 2.6.2), a change in variable interest rates over time may require the Fund to mark to market the fair value of its interest rate swaps and this may result in an asset or liability being recognised on the Fund's balance sheet, thereby changing the NTA per Unit.

9.1.5. Management conflicts

In addition to managing the assets of the Fund, the Investment Manager is also the manager of three other commercial property funds with assets under management of approximately \$1.2 billion. The management of properties for different funds may lead to conflicts of interest. The Fund has sought to mitigate this risk by making it a term of the Investment Management Agreement that the Investment Manager must consider investment opportunities which are relevant to the Fund and other clients of the Investment Manager in accordance with Australian Unity's Management of Conflicts and Related Party Transactions Policy (see Section 14.5 for an overview of that policy).

9.1.6. Responsible Entity and management performance

By investing in the Fund, Unitholders have delegated investment decisions to the Responsible Entity and its officers. The Responsible Entity has delegated the day to day management of the Fund and the Portfolio to the Investment Manager and the Property Manager, as well as to other external service providers.

Accordingly, the Fund is reliant on the management expertise, support, experience and strategies of the key executives of Australian Unity and other third parties, which cannot be assured. If Australian Unity (and its subsidiaries) and other third parties do not perform as service providers this could have an adverse impact on the management and performance of the Fund and therefore Distributions and the Unit price.

If AUIRE is replaced as Responsible Entity of the Fund by an entity that is not a related body corporate of Australian Unity, there is potential for adverse effects to be experienced by the Fund due to the loss of the services of the Investment Manager (as the Investment Management Agreement will terminate automatically), and the Property Manager under the Property

Management Agreement (including the obligation to pay AUPM management fees in this event). Replacement of AUIRE as the Responsible Entity of the Fund is also an event of default under the Proposed Debt Facility (unless the Lenders otherwise consent to the change).

9.1.7. Acquisitions and divestments

The Fund has a strategy to provide further diversification of properties and Net Operating Income through new acquisitions. This strategy would be undertaken to increase and preserve forecast returns and, as a result, new acquisitions may affect forecast Distributions and any tax deferred portion of income Distributions. For new acquisitions, the Fund will rely upon, among other things, the advice of independent property valuation experts. In relying on this advice, there is the risk that the fair value for a Property is less than the purchase price, which may cause write-downs and capital losses in the future. Conversely, the Fund may undertake to dispose of a Property to preserve forecast returns or to satisfy covenants in the Proposed Debt Facility, which carries the risk that the realised value of a Property might be less than the purchase price or its current book value.

It is possible that suitable new acquisitions cannot be identified, or that the Fund may not be able to secure their purchase or otherwise complete. It is also possible that due diligence undertaken in connection with new acquisitions does not reveal issues that could later have a materially adverse impact on Distributions and the Unit price. For example, if due diligence has failed to reveal latent defects in the construction of a Property or necessary capital expenditure, the additional requirements could reduce the value of or future returns on that Property.

The Fund may be unable to identify suitable investment opportunities, thereby restricting the Fund's ability to add properties to its existing Portfolio. This may adversely impact the ability to secure additional investment or funding, and also the returns to Unitholders.

9.1.8. Contraction rights

Tenants may have the right under their lease to hand back part of the NLA covered by their leases during the terms of the lease. If the tenant chooses to exercise this right, there is a risk that if the space cannot be re-let on equivalent terms or at all, then Distributions and the Unit price of the Fund may be negatively affected. Further, if the space remains wholly or materially vacant for any significant period of time, this may impact adjoining tenancies which may impact the Fund's ability to achieve market rents or may require higher incentives to be paid to secured tenants. Any negative impact on rental income has the potential to impact on Distributions and the Unit price.

9. Risks (continued)

In the Portfolio, there are two tenancies which contain such contraction rights, namely:

- Telstra has exercised its right to hand back two floors (approximately 9% of the Gross Property Income of the Property) under the terms of its lease at 30 Pirie Street, Adelaide in February 2017. This represents approximately 3% of the Gross Property Income of the Fund; and
- the NSW State Government also has the right to hand back up to five floors (approximately 34% of the Gross Property Income of the Property) under the terms of its lease at 10 Valentine Avenue, Parramatta between December 2019 and December 2020. This represents approximately 6% of the Gross Property Income of the Fund.

9.1.9. Existing Investors will retain a stake in the Fund post-Listing

Although Existing Investors will have an opportunity to realise liquidity for their Units by participating in the Withdrawal Offer, the size of the Withdrawal Offer will be capped and so, depending on the level of demand for withdrawals, it is possible that Existing Investors who want to achieve liquidity for their Units will remain Unitholders post-Listing. The Existing Investors may not be long-term holders of the Units. A significant sale of Units by some or all of the Existing Investors, or the perception that such sales have occurred or might occur, could adversely affect the price of Units.

9.1.10. Leasehold interests

The Fund's Portfolio includes two Properties (14% of the Portfolio by independent valuation) that are not owned by the Fund but in respect of which the Fund has a leasehold interest (where a third party holds freehold title to the Property). Other than as noted below, leasehold title is different from freehold title in a number of ways but most importantly it relies solely on the existence of a lease (such that if the lease is terminated or not renewed on expiry this would deprive the Fund of its right to occupy the leased premises and it would lose its right to sub-lease and earn rent from the premises). The expiry dates for each of these leasehold interests is:

- 241 Adelaide Street, Brisbane, QLD: 26 March 2063; and
- 64 Northbourne Avenue, Canberra, ACT: 10 September 2097 (noting that most land in the Australian Capital Territory is leased to private lessees under long term Crown leases. Subject to some exceptions, a Crown lease is akin to ownership and is governed by the Land Titles Act 1925 (ACT) and the Planning and Development Act 2007 (ACT)).

The Fund may also purchase further assets in the future which are held under third party lease arrangements. There is no guarantee that any such leases will be able to be renewed (at all, or on suitable terms) and the leases are subject to certain termination rights, including a right for the landlord to terminate the Fund's lease for a breach by the Fund of the lease. The nature of the leasehold interest may adversely affect the valuation of that Property, particularly as the term of the leasehold interest reduces.

9.1.11. Concentration by sector

The Portfolio currently comprises of, and the Fund intends to continue to invest in, office properties located in Australian metropolitan and CBD office markets. The performance of the Fund will largely depend on the performance of this specific property sector, in the specific geographies where its Portfolio is located.

9.1.12. Forward looking statements (including financial forecasts)

The forward-looking statements, opinions and estimates provided in this PDS, including the financial forecasts, are based on assumptions, some of which are described in Section 6.5. There can be no guarantee that the assumptions and contingencies on which the forward looking statements, opinions and estimates are based will ultimately prove to be valid or accurate. The forward looking statements, opinions and estimates depend on various factors, many of which are outside the control of the Fund. Various factors, both known and unknown, may impact the Fund's performance and cause actual performance to vary significantly from what was expected. There can be no guarantee the Fund will achieve its stated objectives or that any forward-looking statement or forecast will eventuate.

9.1.13. Compliance risk

The Responsible Entity is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If the Responsible Entity breaches the Corporations Act or the terms of its AFSL, ASIC may take action to suspend or revoke the licence, which in turn would adversely impact the ability of the Responsible Entity to manage the Fund. In order to ensure compliance with the Fund Constitution, the Corporations Act and the ASX Listing Rules, the Responsible Entity has adopted a compliance plan which sets out the key processes the Responsible Entity will apply in complying with its compliance obligations.

9.2. General risks relating to an investment in property

All property investments carry their own unique set of risk characteristics, and an investment into a direct property fund also carries these inherent underlying risks. The risks set out in this Section relate to risks generally experienced by investments into the commercial property sector and which all Unitholders will be exposed to as a consequence of acquiring Units in the Fund.

9.2.1. Revenue and lease default risk

Distributions made by the Fund are largely dependent on the amount of rent received from tenants of the Fund's Properties, and those tenants paying rent in accordance with their lease terms (as well as on the expenses incurred conducting the operations of the Fund).

9. Risks (continued)

The Responsible Entity has made a number of assumptions in relation to the level of rental income that the Fund will receive during the Forecast Period (see Section 6.5.2). However, rental income may differ from those assumptions and may be affected by a number of factors, including:

- overall economic conditions;
- the financial condition of tenants (which may increase the risk of default);
- the Fund's ability to extend leases or to replace outgoing tenants with new tenants;
- increases in rental arrears and vacancy periods;
- an increase in non-recoverable outgoings; and
- supply and demand in the property market.

In particular, tenants may default on their lease obligations, resulting in potential capital losses and/or a reduction in income to the Fund. The amount of any capital loss or loss of income may not be covered in full or at all by bank or personal guarantees.

Any negative impact on rental income has the potential to adversely impact on Distributions and the Unit price of the Fund.

9.2.2. The risk of non-renewal and vacancy

The Portfolio's leases come up for renewal on a periodic basis and there is a risk that if the Fund is unable to negotiate a lease extension with an existing tenant at the end of their lease, or replace a tenant on expiry with leases to new tenants on at least equivalent rental rates and other key terms, in either case, within the estimated timeframes or at all, there may be an impact on Distributions and a negative impact of the valuation for that Property. It may also reduce WALE, which may affect marketability of the Property and the Units, and will affect the forecasts of the Fund. The Fund could also incur additional costs associated with re-leasing any Properties.

9.2.3. Incentives

The ability of the Fund to secure lease renewals or to obtain replacement tenants may be influenced by any tenant incentives granted. The Responsible Entity has made a number of assumptions in relation to the level of incentives that the Fund may grant during the Forecast Period (see Section 6.5.2). The Fund may not be able to secure actual rental income at or near the 'market' rental rates, which are usually expressed without incentives. Incentives may result in a material outlay or reduced actual income initially or over the term of the lease, which may have significant impacts on both the cash flow generated from that Property and the valuation of that Property. The availability and extent of incentives are a market-driven issue and arise due to intense competition for the same tenants within a local market. They are inherent in the property sector and largely outside the control of the Fund. Furthermore, any unwillingness of the Fund to provide incentives required (due to market competition) to secure lease renewals or replacement tenants, or to some tenants on a different basis to others, may result in extended periods of vacancy for a Property.

Such vacancies may have an adverse impact on existing tenant sentiment, Distributions and the Unit price of the Fund.

9.2.4. Property valuation risk

The ongoing valuation and revaluation of a Property (or a new acquisition) is largely influenced by changes in the factors which affect overall property market performance including supply, demand, Capitalisation Rates, occupancy levels, lease expiries, incentives, capital expenditure and nearby amenities.

There is no guarantee that a Property will achieve a market or sale price equal to the current valuation, or that the valuation upon which the Fund purchases a Property can be achieved in a subsequent sale. There is no guarantee that a Property's valuation will increase, or that it will not decrease, as a result of the assumptions in the valuation proving to be incorrect.

Different valuers may value the same property differently, depending on their own internal criteria, research and experience. The same property may have a different valuation amount when a new independent valuer is appointed to a property. The properties will generally have different valuations depending on the stage of the broader economic cycle, and valuations may change depending on the risks outlined in this Section.

A reduction in the value of any Property may adversely affect the value of Units in the Fund. It may also impact on the Fund's financing arrangements (see Section 13.2). As changes of valuations of investment properties are recorded in the income statement, any decreases in value will have a negative impact on the Fund's financial performance.

9.2.5. Property liquidity

Real property is, by its nature, an illiquid form of investment, and the Properties may take a long time to sell. In the event that the Fund needs to divest a Property (for example to achieve a debt reduction to lower Gearing), time constraints may mean the Fund is not able to realise the book value of the Property or achieve an optimal sales price. There is no guarantee that the time a Property is put onto the market coincides with an optimal time to sell, particularly when the sale is driven by a factor other than receipt of a favourable third party offer. This may adversely affect the Unit price of the Fund.

9.2.6. Capital expenditure and development risks

The Fund is responsible for capital repairs and reinvestment at its Properties (including at its Properties where it has a leasehold interest). The Fund may incur capital expenditure costs for unforeseen structural problems arising from a defect in a Property or alterations required due to changes in statutory and compliance requirements (such as changes to environmental, building or safety regulations and standards). Over time, capital expenditure will be required to maintain the Properties, and also to improve the Properties or to install market-standard equipment, technologies and systems to retain and attract tenants. The risk that capital

9. Risks (continued)

expenditure could exceed forecast spend may result in increased funding costs, lower Distributions and Property valuation write-downs.

Additionally, the Fund might in the future undertake material refurbishments, property works or extensions and additions. The Fund will not undertake speculative developments but may undertake, or acquire properties subject to, development activities. These developments or acquisitions may involve tenant pre-commitments or other risk mitigation strategies before any commencement of development activities. Committed tenants may not ultimately take up a lease on the terms contemplated, or at all. Development may expose the Fund to risks associated with development including counterparty risk, contract and sub-contract risk, default risk and market risk. Standards applied to properties when an issue becomes apparent may not be standards which applied when the property was constructed. The Fund may need to make claims under warranties, and defective construction may not be covered under statutory or contractual warranties, and may not be insured or may involve litigation and delays.

9.2.7. Litigation and disputes

In the ordinary course of operations, the Fund may be involved in disputes and possible litigation. The Responsible Entity is subject to a duty to act in the best interests of Unitholders, and may be compelled to enter into dispute or litigation processes in circumstances where another entity without that duty might not, or might otherwise settle for a different commercial result. The Responsible Entity also has a duty to protect the value of the Properties and may necessarily have to be involved in disputes in respect of the Properties such as for warranty or defects claims against developers and their subcontractors or against tenants in the event of any default of a tenant's obligations under their lease. The results of dispute processes and litigation are often uncertain, and are subject to appeal. There is always a possibility that general business operations may be affected both financially and through the diversion of significant management time in running those proceedings. Disputes may adversely affect Distributions and the Unit price of the Fund.

9.2.8. Competition

The Fund faces competition from new and existing property investors. Some of these competitors have significantly greater scale, and may have an advantage in acquiring properties relative to the Fund due to more readily available sources of capital and a lower return threshold. Competition for new acquisitions in the sector in which the Fund operates may make it difficult for the Fund to acquire properties and to increase its scale or its level of diversification.

Additionally, the existence of competition for tenants may have a materially adverse impact on the ability of the Fund to secure new tenants or retain existing tenants on satisfactory rates over an acceptable period. This may impact the Fund's rental revenue and possibly capital values which may adversely affect Distributions and the Unit price of the Fund.

9.2.9. Health and safety

The Fund may attract liability for health and safety matters which occur on or around the Properties as the landlord, whether or not a tenant is also involved. In extreme circumstances, penalties may be levied against AUIRE or its associates. These may not be covered by insurance, or there may be a dispute between insurers as to liability. Any material health and safety incident may generate adverse publicity, and is likely to impact upon the performance of the Fund and the return on your Units.

9.2.10. Insurance

The Responsible Entity insures the Properties in line with industry practice. However, no assurance can be given that a particular risk or combination of risks is insurable or, even if insured, the insurance policy will respond in full or at all. Insurance may only cover direct causation events and no other indirect effects such as loss of rent while a Property is being repaired. Any losses due to uninsured risks may adversely affect the performance of the Fund.

9.2.11. Environmental risks

Property income, Distributions or property valuations could be adversely affected by discovery of an environmental contaminant and the costs of Property preservation associated with environmental contamination. This risk may occur whether or not the contamination was accidental, caused by the Fund, or by prior owners or third parties. It may not be possible to ascertain in due diligence on a new acquisition. Remediation costs may be significant, and there may be consequential effects such as Property closure and loss of rent (including potential costs of relocation of tenants in some circumstances) which could adversely affect Distributions and the Unit price of the Fund. It may also potentially hinder the ability to dispose of the Property.

In addition, new or more stringent environmental laws or regulations introduced in the future, for example, in order to combat climate change, may require the Fund to undertake material expenditure to ensure that the relevant standards are met.

9.3. General risks

9.3.1. General investment risks

The risks set out in this Section relate to risks generally experienced by investors who invest in securities such as Units, and matters which are relevant to holding Units.

9. Risks (continued)

9.3.1.1. Dilution effects

Future capital raisings and equity funded acquisitions by the Fund may dilute the holdings of Unitholders. There may be a need to raise equity in the future to partly fund new acquisitions, reduce debt or recapitalise the Fund. Should the Fund need to complete any form of equity raising through Unit issues which may occur at a discount to NTA per Unit, any Unitholders that do not participate may have the net value of the NTA per Unit affected due to the dilution effect which may result in a capital loss or reduction in Distributions. Even if Units are issued at NTA per Unit, Unitholders that do not participate in the equity raising will have their voting percentage decreased due to the dilution effect of additional Units being issued.

9.3.1.2. Trading price and volatility of units

The trading price of any listed security may change, depending on matters inherent to the Fund itself (such as its Portfolio and any material litigation it might become involved in), but also due to external factors such as property prices generally, market sentiment or takeover offers. Securities on the ASX may be thinly or heavily traded, and can be very volatile, irrespective of any change in the underlying value of the Properties in the Fund. Units may trade at a discount to NTA per Unit. There can be no guarantee that the number of buyers at any point in time in the market will match or exceed the number of sellers, or that Unitholders will be able to sell for a price which they or the Responsible Entity believe fairly reflects the value of their Units. Some classes of securities or segments such as property are countercyclical, and may not demonstrate market price increases when other securities in other classes are performing well.

9.3.1.3. Liquidity risk

The Units available under the Offer are intended to be listed on the ASX. Although liquidity generally exists in this secondary market, there are no guarantees that an active trading market with sufficient liquidity will develop, or should it develop after the Offer, that such a secondary market will sustain a price level at or around the Offer Price or representative of the NTA per Unit.

9.3.1.4. Ranking on an insolvency

In the event of any liquidation or winding up of the Fund, the claims of the Fund's creditors will rank ahead of those of its Unitholders. Under such circumstances the Fund will first repay or discharge all claims of its creditors. Any surplus assets will then be distributed to the Fund's Unitholders. All Unitholders will rank equally in their claim and will be entitled to an equal share per Unit.

9.3.2. General and market risks

These risks are beyond the control of the Fund, but may have a material effect on it and the return on or value of Units.

9.3.2.1. Natural phenomena (force majeure)

Some natural events are unable to be foreseen and are beyond the control of the Fund. Acts of God such as cyclones and storms, flooding and water ingress, fires, earthquakes and acts of terrorism, wars and strikes may affect one or more Properties. Some force majeure events are effectively non-insurable or are commercially too expensive to insure, and some events may not be covered by a relevant Fund insurance policy. If a Property was to be affected by an event that has no insurance coverage for a significant event, this would affect the value of the Property and have a materially adverse impact on the Fund resulting in capital losses, a reduction in the NTA per Unit, and reduce Unitholder returns. It is also likely that there would be indirect consequences, such as damage to services and potential loss of rent. Such events would likely lead to increased premiums.

9.3.2.2. Economic and market conditions

There is the risk that changes in economic and market conditions may affect asset returns and values and may decrease the Unit price of the Fund. The overall performance of Units may be affected by changing economic or property market conditions. These may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies. A general economic downturn may have a significant negative impact on the Unit price of the Fund.

9.3.2.3. Taxation

Changes in general taxation law and, in particular, income tax, GST or stamp duty legislation, case law in Australia, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of tax authorities, particularly in regard to property investment, may adversely affect the Fund's returns. Any changes to the tax regime applicable to the Fund, or the Responsible Entity's ability to make tax deferred Distributions, may adversely affect the tax treatment of Distribution in the hands of investors. Tax considerations may differ between investors. Therefore, prospective investors are encouraged to seek professional tax advice in connection any investments in Units.

There are particular taxation rules that apply to offshore investors in managed investment schemes. Offshore investors should obtain their own taxation advice in relation to those rules.

9.3.2.4. Accounting standards

Changes in accounting standards may affect the reported earnings and the financial position of the Fund in future financial periods.

9.3.2.5. Legal, regulatory and policy changes

Changes in law, government legislation, regulation and policy in jurisdictions in which the Fund operates may adversely affect the value of the Portfolio and/ or the Fund's future earnings and performance, as well as the value of Units quoted on the ASX.



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Details of the Offer



10. Details of the Offer

10.1. Overview of the Offer and its purpose

AUIRE makes an offer on the terms and conditions of this PDS to issue up to 77.5 million Units¹ in the Fund at the Offer Price of \$2.00 per Unit in order to raise up to \$155.0 million through an initial public offering. The purpose of the Offer is to:

- Fund the Withdrawal Offer for Existing Investors who may elect to exit their investment (see Section 10.5);
- Repay existing debt of the Fund in order to reduce the Fund's current Gearing from approximately 50% to approximately 30% on Allotment and a partial termination of existing interest rate swaps; and
- Pay for some of the Transaction Costs.

The Offer is underwritten by the Joint Lead Managers, on the terms and conditions of the Underwriting Agreement. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, are set out in Section 13.3.

10.2. Sources and uses of funds

A summary of the sources and uses of funds under the Offer is shown in the following table:

Sources of funds	\$million	Uses of funds	\$million
Proceeds from Offer	Up to 155.0	Fund withdrawals by Existing Investors under the Withdrawal Offer	Up to 56.2
		Paydown of existing debt and derivatives ²	91.3
		Transaction Costs ³	7.5
Total Sources	Up to 155.0	Total Uses	Up to 155.0

The proceeds required to fund the Withdrawal Offer for Existing Investors may be less than \$56.2 million subject to the elections of Existing Investors to retain their investment in the Fund instead of making withdrawal requests up to the \$56.2 million limit. See Section 10.5 for more details about the Withdrawal Offer.

10.3. Structure of the Offer

The Offer by AUIRE for the issue of Units in the Fund under the terms of this PDS comprises:

- An Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia, New Zealand and certain other overseas jurisdictions (excluding the United States) to bid for Units;

- A Broker Firm Offer, which is open to Retail Investors who have received a firm allocation through their Broker (refer to Section 10.11); and
- An Australian Unity Offer, which is open to eligible Existing Investors and other investors invited to participate.

Any investor reviewing this PDS should be aware that there is no general public offer of Units available. Any investor that is interested in this product, but is not eligible under the Australian Unity Offer, must apply for Units via a Broker with a firm allocation.

AUIRE reserves the right to withdraw the Offer and not proceed with the Allotment of Units to Applicants at any time before Allotment occurs, including if the Resolutions are not passed by Existing Investors. If such an event occurred and the Offer does not proceed, AUIRE would return all Application Monies.

No interest will be paid on Application Money for the period from receipt until the issue of Units occurs. Similarly, no interest will be paid to any investor whose Application (or part of an Application) is returned by AUIRE.

10.4. Consolidation of Units

It is proposed that prior to Allotment, but after the date of the Unitholders Meeting, the Units be consolidated. It is currently expected that the Consolidation will be undertaken on the basis of 0.4185 Units for every 1 Unit held as at the date of the Consolidation (the '**Assumed Consolidation Ratio**'). Under the current terms of the constitution, AUFML, as the current Responsible Entity, has the power to consolidate Units on an equal basis without requiring prior approval of Existing Investors (and AUIRE will have the same power, on the same terms, under the amended Constitution). Depending on the NTA of the Fund as at the proposed date of the Consolidation, the Consolidation ratio may be adjusted such that the Offer Price is \$2.00 per Unit. On the Allotment Date, the Fund will incur Transaction Costs (as described in Section 11.4) and the NTA per Unit is forecast to be \$1.96, which would result in the Offer Price of \$2.00 representing a 2.0% premium to the NTA per Unit on the Allotment Date. This would ensure that new investors are, effectively, bearing an equal share of Transaction Costs to Existing Investors who either retain their Units or have some or all of their Units redeemed through participation in the Withdrawal Offer.

Accordingly, it is not possible to state with certainty as at the date of this PDS the Consolidation Ratio to be adopted, which in turn means that it is not possible to state the precise number of Units that will be on issue post-Allotment (since the NTA at the relevant times will not be known with certainty until those times). However, it is not expected that the Consolidation Ratio will materially differ from the Assumed Consolidation Ratio.

¹ The number of Units to be issued will be up to 77.5 million, with the total number of Units to be determined based on the number of Units which Existing Investors elect to withdraw under the Withdrawal Offer. See Section 10.5 for further details.

² Includes a forecast interest rate swap termination payment of \$7.5 million.

³ Total transaction costs are expected to be approximately \$8.3 million; of which \$0.8 million will be borne by Existing Investors prior to Allotment and \$7.5 million will be paid from the proceeds of the Offer.

10. Details of the Offer (continued)

AUIRE will announce to ASX prior to the commencement of Listing the Consolidation Ratio together with the total number of Units to be on issue following Allotment.

The Consolidation may involve the rounding up or rounding down of certain Existing Investors' holdings of Units.

10.5. Withdrawal Offer

The Withdrawal Offer is intended to provide Existing Investors with a structured liquidity mechanism should they elect to exit their investment in the Fund prior to completion of the Offer and is also intended to provide some degree of comfort to incoming investors that Existing Investors will have had an opportunity to realise liquidity prior to completion of the Offer.

Historically, the Fund has provided Existing Investors with semi-annual liquidity via withdrawal offers capped at 2.5% of NTA.

AUFML, in its capacity as the current Responsible Entity, will offer to Existing Investors the opportunity to make a withdrawal request from their investment in the Fund. The Withdrawal Offer will be conducted after lodgement of this PDS and will close prior to commencement of Listing and will be for an amount of up to \$56.2 million, to be funded from the proceeds of the Offer. The withdrawal amount may be smaller depending on withdrawal requests from Existing Investors. The Withdrawal Offer is conditional upon Allotment and payment of withdrawal amounts will not be made until after Allotment.

If the total amount of withdrawal requests for the Fund exceeds the Maximum Withdrawal Amount, requests will be met on a pro rata basis.

If withdrawal requests worth less than \$56.2 million are received from Existing Investors under the Withdrawal Offer, the total size of the Offer will be reduced to the extent of the shortfall.

The price applied in meeting the withdrawal requests will be the Net Asset Value per Unit last calculated before the Withdrawal is effected (the Net Asset Value will be equal to the NTA for the Fund at that time as the Fund has no intangible assets). Taking into account the portion of the Transaction Costs that are to be borne by Existing Investors, this NTA is forecast to be \$1.96 per Unit on a post-Consolidation basis ('**Withdrawal Price**'). Accordingly, the Offer Price of \$2.00 per Unit will represent the same percentage premium to the Withdrawal Price as it does to the NTA as at the Allotment Date (which premium is forecast to be 2.0%).

It is not possible to state with certainty as at the date of this PDS the Withdrawal Price as it will depend on the prevailing NTA at the time of calculation (which will occur shortly before the Consolidation). AUIRE will announce this information to ASX prior to the commencement of Listing.

Please note that if you participate in the Withdrawal Offer, you are prohibited from selling any Units the subject of your withdrawal request until those Units have been redeemed and you have received your new holding statement. Persons selling Units

before they receive their holding statement do so at their own risk. AUIRE, the Registry, and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Units before receiving your holding statement; even if you obtained details of your holding from the Investor Services or through your Broker.

10.6. Impact on Existing Investors who retain their Units

An Existing Investor who elects not to participate in the Withdrawal Offer and retains Units will experience dilution to the NTA backing of their Units of approximately 2.0% as a result of the Offer if the forecast NTA per Unit on a post-Consolidation basis is \$1.96.

10.7. Australian Unity participation in the Offer

Australian Unity corporate entities and funds managed by Australian Unity subsidiaries are expected to have an investment in the Fund of up to 15% at Allotment.

10.8. Lead managers

AUIRE has appointed Credit Suisse (Australia) and UBS AG, Australia Branch to act as Joint Financial Advisers and Credit Suisse (Australia), National Australia Bank and UBS AG, Australia Branch to act as Joint Lead Managers.

10.9. Allocation policy

The final allocation of Units between the Institutional Offer, the Broker Firm Offer and the Australian Unity Offer will be determined by the Joint Lead Managers, in agreement with AUIRE, having regard to the following factors:

- Desire to foster a stable Unitholder register over the long term;
- Desire for a liquid and informed trading market for the Units;
- The respective abilities of Institutional Investors who participate in the Institutional Offer, Retail Investors who participate in the Broker Firm Offer and investors who participate in the Australian Unity Offer, to participate in potential future equity raisings;
- Overall level of demand for Units between the Institutional Offer, the Broker Firm Offer and the Australian Unity Offer; and
- Any factors that the Joint Lead Managers and AUIRE consider appropriate.

There is no guaranteed minimum size of allocation to any component of the Offer. AUIRE has absolute discretion regarding the allocation of Units to Applicants in the Offer and may reject an Application, allocate fewer Units than applied for, or aggregate Applications in its absolute discretion.

10. Details of the Offer (continued)

In the event that the Offer size is reduced because withdrawal requests worth less than \$56.2 million are received in aggregate, allocations to the Institutional Offer and/or the Broker Firm Offer and/or the Australian Unity Offer will be reduced by the Joint Lead Managers in consultation with AUIRE.

10.10. Institutional Offer

The Joint Lead Managers will separately advise Institutional Investors of the Application procedures for the Institutional Offer.

10.11. Broker Firm Offer

Who can apply under the Broker Firm Offer

The Broker Firm Offer is only open to Retail Investors with registered postal addresses in Australia who have received an allocation of Units from their Broker.

If you are offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect to that Application. Investors should contact their Broker to inquire if they are eligible for an allocation of Units under the Broker Firm Offer.

How to apply under the Broker Firm Offer

If your Broker has provided you with an allocation of Units under the Broker Firm Offer, you will need to contact your Broker for instruction on payment methods and how to complete your Application Form in accordance with the Broker Firm Offer Application Form.

Only Applications that are submitted in accordance with the Broker Firm Offer instructions will be accepted and have Units allocated at the Offer Price.

Applicants under the Broker Firm Offer must not submit their Broker Firm Application Form and/or Application Monies to the Registry. They will need to submit their Broker Firm Application Form and Application Monies to their Broker.

AUIRE will accept Application Monies on behalf of Applicants from their Broker under the Broker Firm Offer by 5.00pm on the Offer Closing Date or such date that the Joint Lead Managers and AUIRE deem appropriate. AUIRE, the Joint Lead Managers and the Registry take no responsibility for any omissions or other acts in connection with your Broker Firm Application Form that may result in your Application not being accepted.

By making an Application under the Broker Firm Offer, you are declaring that you were given proper access to this PDS, together with the Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is accompanied by a hard copy of this PDS or an unaltered and complete electronic version of this PDS.

Minimum and maximum Application amounts

If you apply for Units under the Broker Firm Offer, the Minimum Application Amount is at least \$2,000 and in \$500 increments thereafter. There is no maximum number of Units that may be applied for under the Broker Firm Offer.

Allocation policy under the Broker Firm Offer

Units that have been allocated to Brokers for allocation to the Retail Investors who are Australian residents will be issued to the Applicants nominated by those Brokers.

It will be a matter for the Broker to decide how it allocates firm stock among its clients who are Retail Investors and if any Application Monies need to be refunded once the Offer closes (without interest). Brokers (and not AUIRE) will be responsible for ensuring that clients who have received a firm allocation from them receive the relevant number of Units.

AUIRE expects to announce the final allocations between the Broker Firm Offer, the Institutional Offer and the Australian Unity Offer by 20 June 2016. It is expected that this information will be advertised in The Australian and The Australian Financial Review. Applicants in the Broker Firm Offer should confirm their allocation with the Broker from whom they received their allocation of Units.

10.12. Australian Unity Offer

Who can apply to participate in the Australian Unity Offer

The Australian Unity Offer is only open to eligible Existing Investors (from 31 May 2016) and other investors invited to participate who have a residential address in Australia at the date of this PDS.

How to apply under the Australian Unity Offer

If you are an eligible Existing Investor or invited to participate in the Australian Unity Offer, you must complete the Australian Unity Offer Application Form and pay the relevant Application Monies to AUIRE in accordance with the instructions on the Australian Unity Offer Application Form. Application Monies must be in Australian dollars and accompany the Australian Unity Offer Application Form. Cheques must be made payable to "Australian Unity Office Fund IPO" and should be crossed and marked "Not Negotiable".

How to apply online

If you are applying online, you must complete the Australian Unity Offer Application Form online by visiting the Offer website at www.australianunityofficefund.com.au and following the instructions. You will need your the Unitholder reference number that has been provided. You must also pay your Application Money via Bpay only. You should check your daily

10. Details of the Offer (continued)

transaction limit with your bank, credit union or building society to ensure your Application Money can be paid via Bpay, and ensure that you leave enough time for your payment to be processed by 5.00pm on the Offer Closing Date.

Minimum and maximum Application amounts

If you apply for Units under the Australian Unity Offer, you must apply for a minimum of 1,000 Units (\$2,000) and in increments of \$500 thereafter. There is no maximum number of Units or value of Units that may be applied for under the Australian Unity Offer.

Allocation policy under the Australian Unity Offer

The Australian Unity Offer is not a priority offer and the allocations of Units between the Australian Unity Offer, Institutional Offer and Broker Firm Offer will be determined in accordance with Section 10.9 above.

It will be a matter for AUIRE to decide how it will allocate the Units that are allocated to the Australian Unity Offer among Existing Investors and other investors invited to participate, including discretionary scale back of applications and refund of Application Monies in circumstances where aggregate applications for the Australian Unity Offer exceed the amount allocated to the Australian Unity Offer. AUIRE will be responsible for ensuring that eligible Existing Investors and other investors invited to participate who have applied for Units receive the relevant number of Units under that Application (after taking into account any scale-back). AUIRE expects to announce the final allocations between the Broker Firm Offer, the Institutional Offer and the Australian Unity Offer by 20 June 2016. It is expected that this information will be advertised in The Australian and The Australian Financial Review.

Pending the issue of Units, Application Monies under the Offer will be held in a trust account that complies with the Corporations Act. Application Monies will be fully or partially refunded where an Application is rejected or accepted in part only, the Offer is withdrawn and/or cancelled, or ASX does not grant permission for Units to be quoted within three months after the date of this PDS. No interest will be paid on refunded amounts.

10.13. Discretion regarding the Offer

Subject to the Underwriting Agreement, AUIRE will have absolute discretion regarding the basis of allocation of Units in the Fund, and there are no assurances that participants in the Institutional Offer, Broker Firm Offer or Australian Unity Offer will be allocated any or all Units applied for in their Application. AUIRE reserves the right to:

- Close the Offer or any portion of the Offer early;
- Extend the Offer or any portion of the Offer;
- Accept late Applications either generally or in particular cases;
- Reject any Applications; and

- Allocate any Applicant fewer Units than applied for or not allocate any Units to an Applicant.

10.14. No cooling off

Applicants should note that there will not be any applicable cooling off period in relation to Applications.

Once an Application has been lodged, it cannot be withdrawn. Should quotation of Units be granted by the ASX, Unitholders will have the opportunity to sell their Units at the prevailing market price, which may be different to the Offer Price.

10.15. Admission and trading of units on the ASX

AUIRE has applied for the admission of the Fund to the Official List and quotation of the Units on the ASX. The Fund's ASX code will be AOF.

If the required approvals from ASX are not given within three months after the application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Money will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

It is expected that, subject to receipt of the required approvals from ASX, trading of Units will commence on or about 20 June 2016, initially on a conditional and deferred settlement basis. Settlement is expected to occur on a delivery verses payment basis on 21 June 2016.

In accordance with Procedure 3330 of the ASX Settlement Operating Rules, all contracts formed on acceptance of Applications under the Offer will be conditional on:

- Existing Investors approving all Resolutions at the Unitholder Meeting;
- AUIRE becoming the Responsible Entity;
- The proposed amendments to the constitution of the Fund taking effect;
- Completion of the Unit Consolidation;
- Settlement under the Underwriting Agreement; and
- Completion of the Withdrawal Offer.

If the Offer is withdrawn after Units have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of the Units on the ASX would be cancelled and any Application Monies received would be refunded as soon as possible (without interest).

Conditional trading will continue until the Responsible Entity has advised the ASX that the above conditions have each been satisfied, which is expected to be on or about 22 June 2016.

Trading will then be on an unconditional but deferred settlement basis until the Responsible Entity has advised the ASX that holding statements have been dispatched to Unitholders (which will be on or about 22 June 2016).

10. Details of the Offer (continued)

Normal settlement trading (that is, trading on a T+2 settlement basis) is expected to commence on or about 23 June 2016.

Neither ASX nor any of its officers takes any responsibility for the content of this PDS or for the investment in the Fund. The fact that ASX may admit the Fund to the Official List should not be taken as an endorsement by ASX of the merits of the Fund or any investment in the Fund.

If the Conditions have not been satisfied within 14 days (or such longer period as the ASX allows) after the day Units are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

Following the Allotment of Units under the Offer (expected to occur on or about 22 June 2016) the Registry will send successful Applicants a holding statement detailing the number of Units issued to them under the Offer. It is expected that holding statements will be dispatched on or about 22 June 2016. It is the responsibility of Applicants to confirm their allocation of Units prior to trading in Units. Applicants can confirm their allocation of Units by contacting their Broker or calling Investor Services on 1300 721 637 (toll free within Australia) or +61 2 8016 2890 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday.

Persons who sell Units before they receive their holding statement do so at their own risk. AUIRE, the Registry, and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Units before receiving your holding statement; even if you obtained details of your holding from the Investor Services or through your Broker.

10.16. CHESS

AUIRE will apply for the Units to participate in CHESS, in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on the ASX under which transfers are affected in a paperless form.

AUIRE will also, in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules, maintain an electronic CHESS sub-register (for Unitholders who are participants in CHESS or sponsored by such a participant) and an electronic issuer sponsored sub-register (for all other Unitholders). These two sub-registers will together make up the Fund's principal register of Unitholders. Following allocation of the Units to successful Applicants, Unitholders will be sent an initial holding statement that sets out the number of Units that have been allocated and the Unitholder's 'Holder Identification Number', or in the case of issuer sponsored holders, the 'Unitholder Reference Number'. Unitholders will subsequently receive statements showing any

changes to their holding of Units. Certificates will not be issued for Units.

Unitholders who wish to have Units sponsored by a CHESS participant should forward their initial statement of holding and 'Unitholder Reference Number' (upon receipt) to their Broker who will transfer their holding onto the CHESS sub-registers.

10.17. Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by applicants who apply for Units under the Offer.

Various fees in relation to the Offer may be payable by the Fund to the Joint Lead Managers. See Section 11 for further details.

Investors who buy or sell Units on the ASX may be subject to brokerage and other transaction costs. No stamp duty will be payable by an investor on any subsequent trading of Units in the Fund on the ASX, provided the investor does not acquire (whether alone or together with related associates) 90% or more of the Units in the Fund.

10.18. Taxation issues

Some tax implications of investing in the Fund are explained in Section 12. It is intended to be a brief guide only and does not purport to be a complete statement of the relevant tax law, nor does it take into account your individual circumstances. Accordingly, we strongly recommend that you seek independent professional taxation advice on the tax implications of investing in the Fund relevant to your specific circumstances.

10.19. Foreign selling restrictions

This PDS has been prepared to comply with the requirements of the laws of Australia. The distribution of this PDS in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this PDS should seek their own advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This document does not constitute an offer of Units in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Units may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorise this document or to permit the distribution of this document or any documents issued in

10. Details of the Offer (continued)

connection with it. Accordingly, the Units have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the Units has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Units which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (FMC Act). The Units are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- Is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- Meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- Is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- Is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- Is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore (MAS) and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (SFA) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The Fund is not a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the Units are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Units may not be circulated or distributed, nor may the Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to “institutional

investors” (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an “institutional investor” (as defined under the SFA). In the event that you are not an “institutional investor”, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Units being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

10.20. Enquiries

If you have any queries about this PDS or the Offer, you should contact Investor Services of 1300 721 637 (toll free within Australia) or +61 2 8016 2890 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday.

If you are unclear in relation to any matter or uncertain as to the suitability of this investment for your personal circumstances, you should seek professional advice from your Broker, lawyer, accountant or financial adviser.



Eleven Fees and Other Costs



11. Fees and Other Costs

The Corporations Act requires AUIRE to include the following standard consumer advisory warning. The information in the consumer advisory warning is standard across product disclosure statements.

11.1. Consumer advisory warning

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (<https://www.moneysmart.gov.au/>) has a managed investment fee calculator to help you check out different fee options.

11.2. Fees and other costs

This Section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund's assets as a whole. Taxes are set out in Section 12. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of a Fund		
Establishment fee The fee to open your investment	Nil	Not applicable.
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable.
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable.
Exit fee The fee to close your investment	Nil	Not applicable.
Management costs⁽¹⁾		
Management fee The fees and costs for managing your investment	AUIRE is entitled, after Listing, to a Management Fee for acting as the Responsible Entity of the Fund equal to: <ul style="list-style-type: none">0.60% per annum multiplied by the Fund's Gross Asset Value up to and including \$750 million; plus0.55% per annum multiplied by the Fund's Gross Asset Value that exceeds \$750 million.	The Management Fee is accrued daily and paid monthly from the income or assets of the Fund.
Performance Fee	Nil ⁽²⁾	Not applicable.
Recoverable Expenses	Estimated to be 0.23% per annum of the Fund's Gross Asset Value ⁽³⁾	Payable out of the income or assets of the Fund when incurred.
Service fees		
Switching fee The fee for changing investment options	Nil	Not applicable.

Note:

(1) See 'Additional explanation of fees and costs' in this Section for further details.

(2) See Section 6.8.5 for further details on the one-off performance fee which will be paid under the Constitution to AUFML, as the outgoing Responsible Entity immediately prior to the change of Responsible Entity, subject to the Existing Investors passing the Resolutions.

(3) This amount is only an estimate based on the expected annual cost of managing and administering the Fund of \$0.9 million and the GAV of \$396.9 million set out in the Pro Forma Balance Sheet in Section 6.3. This is an estimate only and it is likely that both the expenses and Fund's GAV will change over time. See 'Additional explanation of fees and costs' in this Section for further details.

11. Fees and Other Costs (continued)

11.3. Example of annual fees and costs

The following table shows a breakdown of estimated ongoing management fees and costs for a 1 year period.⁽¹⁾ This table provides you with information to compare this product with other managed investment products.

Example	Balance of \$50,000 with total contributions of \$5,000	
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management Costs		For every \$50,000 you have in the Fund, you will be charged the following amounts each year.
Management fees	0.60% ⁽²⁾⁽³⁾ per annum for so long as the Gross Asset Value of the Fund is less than \$750m	For every \$50,000 you have in the Fund you will be charged \$424 each year.
Recoverable Expenses	0.23% per annum of the Fund's Gross Asset Value ⁽³⁾	For every \$50,000 you have in the Fund you will be charged \$160.
EQUALS cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 at the end of that year, you would be charged fees of \$584. ⁽²⁾⁽³⁾⁽⁴⁾

Note:

(1) For the 12 month period ending 30 June 2017.

(2) It is assumed that the Recoverable Expenses for the year were 0.23% p.a. of the Gross Asset Value of the Fund at Allotment.

(3) It is assumed that the contribution of \$5,000 is made at the end of the year.

(4) This amount is only an estimate based on the expected annual cost of managing and administering the Fund of \$0.9 million and the GAV of \$396.9 million set out in the Pro Forma Balance Sheet in Section 6.3. This is an estimate only and it is likely that both the expenses and Fund's GAV will change over time. See 'Additional explanation of fees and costs' in this Section for further details.

11.4. Fees and costs associated with the Transaction

The description and table below sets out the fees and costs expected to be incurred in connection with the Transaction and the portion of those fees and costs which will be borne by Existing Investors.

Stamp duty costs

No stamp duty is payable on the Properties held by the Fund at the date of this PDS as a result of the Offer, the Listing, the Allotment, the Unit Consolidation, the Pre-Offer Distribution and the redemption of Units of Existing Investors who elect to exit their investment in the Fund under the Withdrawal Offer.

The steps under which the Fund will be listed on the ASX and its Units quoted on the ASX, including the Allotment of Units to Unitholders and Australian Unity corporate entities and funds managed by Australian Unity subsidiaries, will not trigger a stamp duty liability.

Transaction Costs: underwriting, advisers and other fees and costs

Transaction Costs under the terms of the Offer of Units in the Fund are estimated to be approximately \$8.3 million and includes underwriting and offer management fees, advisers' and consultants' fees, printing, marketing, Listing fees.

11. Fees and Other Costs (continued)

Transaction Costs borne by the Fund

Total Transaction Costs are expected to be approximately \$8.3 million. Costs borne by Existing Investors in relation to the development and implementation of the Transaction prior to Allotment amount to \$0.8 million. The remaining Transaction Costs of approximately \$7.5 million will be paid by the Fund from the proceeds of the Offer. These costs are one-off in nature and have not been included in the management costs of the Fund in subsequent years. These amounts will be paid by the Fund from the proceeds raised under the Offer. The table below sets out the fees and costs the Fund expects to incur as a result of the Transaction.

Type of fee or cost	Expected total	% of total
Underwriting and Financial Advisory Fees	\$5.5 million	
Advisers' and consultants' fees	\$2.0 million	
Other Transaction Costs	\$0.8 million	
Transaction Costs	\$8.3 million	100%
Transaction Costs expensed prior to Allotment	\$0.8 million	10%
Transaction Costs to be paid from the proceeds of the Offer	\$7.5 million	90%

11.5. Additional explanation of fees and costs

Operating costs/Recoverable Expenses

To the extent permitted by law, AUIRE is entitled to recover all costs and expenses incurred in the proper performance of its duties as the incoming Responsible Entity, including (but not limited to):

- Costs of the Fund's external advisers, including the Fund's auditors and managers;
- Costs of use of Australian Unity's compliance committee;
- The fees and costs of the independent Directors;
- Fees payable to the Custodian;
- Fees payable to the Fund's lawyers;
- Fees associated with taxes, government levies and bank charges;
- Fees payable to the Registry; and
- Ongoing fees payable to the ASX, ASIC or other regulatory or government authority.

AUIRE estimates that in its future capacity as Responsible Entity it will incur costs of managing and administering the Fund of approximately \$0.9 million per annum which is equal to 0.23% of the Fund's expected \$396.9 million Gross Asset Value at Allotment. This estimate excludes any amounts payable under the Investment Management Agreement and Property Management Agreement (other than the fees for accounting services payable

under the Investment Management Agreement) which are set out separately below. This is an estimate only and the actual expenses incurred by AUIRE and GAV may differ.

AUIRE is entitled to recover all such expenses as they are incurred from the assets or income of the Fund, including any amounts payable to a subsidiary of Australian Unity.

Fees to related parties under other arrangements

Certain fees and expenses will be paid from the Fund's assets to related parties of AUIRE. Such items represent fees and expenses paid to:

- AUFML pursuant to an Investment Management Agreement; and
- AUPM pursuant to a Property Management Agreement.

Australian Unity may also receive additional fees in relation to services which third parties provide to the Fund on an arm's length basis.

Investment Management Agreement

Under the Investment Management Agreement, AUFML is entitled to be paid:

- in consideration for the provision of the management services an annual fee equal to 95% of the Base Fee that the Responsible Entity is entitled to receive under the Constitution for the provision of its services to the Fund ('**AUFML Management Fee**'). This equates to 0.57% per annum of the Fund's Gross Asset Value (as at Allotment); and
- a fee for accounting services of \$140,000 per annum for the first year. This fee is adjusted upwards by CPI each year after the first year.

To the extent the investment management fee is paid to AUFML, the Responsible Entity will reduce the Base Fee it takes out of the Fund. The fees listed above are payable monthly in arrears. AUFML is entitled to be reimbursed for all reasonable expenses properly incurred in the performance of services, including all taxes and amounts it pays to third parties for which it is also separately indemnified.

Property Management Agreement

Under the Property Management Agreement, AUPM is entitled to a combined fee for the property management and financial management services of 2% per annum of the budgeted Gross Operating Income for each Property and any properties acquired by the Fund or Sub-Trusts at a later date, that are not excluded at the election of the Fund Trustees ('**Managed Properties**'). The fee is payable monthly in arrears and reconciled to actual Gross Operating Income after each financial year end. If the combined vacancy rates of the Managed Properties exceed 15%, the Gross Operating Income will be deemed to be 85% of the combined Gross Operating Income of the Properties as if the Properties have no vacancy.

11. Fees and Other Costs *(continued)*

In addition, AUPM is entitled to:

- receive a leasing fee for new leases with prospective tenants and renewals or increases in the leased area of leases by existing tenants. The leasing fee ranges from 9% (for leases of 3 years or less) to 15% (for leases of more than 11 years) of the average annual gross rental income achieved under the term of the relevant lease ('**Base Lease Fee**'). The Base Lease Fee is payable in full in respect of the grant of a new lease. The leasing fee payable for renewals of leases and relocations of existing tenants is 50% of the Base Lease Fee and the leasing fee for the exercise of a lease renewal option is 25% of the Base Lease Fee. However, if another property agent has been appointed to provide leasing services in respect of the relevant Property, the leasing fee payable to AUPM in all circumstances other than an extension of the leased area will be 25% of the Base Lease Fee. The lease fee payable for an extension of the leased area is 50% of the Base Lease Fee calculated only in respect of the additional leased area;
- receive a market rent review fee of 10% of any increase achieved in the average annual rent payable by the lessee over the remainder of the lease term, where AUPM has conducted the rent review and provided that no other external property agent is paid a market rent review fee;
- receive a fee for project supervision services of 1% of the cost of the capital works; and
- be reimbursed for all disbursements and reasonable third party expenses incurred in connection with the provision of the services.

The above fees paid under the Property Management Agreement are consistent with market rates and will be the subject of independent review once every three years to ensure consistency with the market. The parties have agreed to seek to mutually agree any fee changes that may be required at that time.

In addition, the Fund may directly appoint third party service providers in connection with the property management services from time to time. Fees payable to these parties will be at market rates and in addition to those payable to AUPM.

If AUIRE (or one of its related bodies corporate) ceases to be the Responsible Entity, the Property Management Agreement will terminate automatically two years after the change in Responsible Entity (or immediately if AUPM so elects, in which case the new Responsible Entity will be obliged to pay the equivalent of 24 months' management fees to AUPM).

Adviser remuneration

The Fund does not pay any service fees, upfront or trail commissions to financial advisers or advisory firms. You may however agree to pay your adviser a fee for financial advice or advice services they may provide you.

Taxes

Information relating to the taxation implications associated with an investment in the Fund has been outlined in Section 12. Unless otherwise stated, all fees in this Section are inclusive of GST and less a full input tax credit or reduced input tax credit, as applicable.

Fee changes

AUIRE may not increase the fees payable to it as set out in the Constitution without a special resolution of Unitholders first having varied the Constitution. A special resolution requires 75% of the votes cast by those Unitholders entitled to vote on the resolution (by value).



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Twelve Taxation

**Australian
Unity** 

12. Taxation



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The Directors
Australian Unity Investment Real Estate Limited
as proposed responsible entity of the
Australian Unity Office Property Fund (to be renamed the Australian Unity
Office Fund)
Level 9, 114 Albert Road
SOUTH MELBOURNE VIC 3205

23 May 2016

Dear Directors

Australian Unity Office Property Fund (to be renamed the Australian Unity Office Fund) Product Disclosure Statement – Australian Taxation Implications

1 Australian Taxation Summary

We refer to our engagement letter dated 6 July 2015 with Australian Unity Funds Management Limited as responsible entity (**Responsible Entity**) for the Australian Unity Office Property Fund (to be renamed the 'Australian Unity Office Fund') (**Fund**) in relation to the initial public offering (**IPO**) and listing on the Australian Securities Exchange (**ASX**) of units in the Fund (**Units**) (**Transaction**). We note that it is proposed that prior to completion of the IPO, that Australian Unity Investment Real Estate Limited will replace Australian Unity Funds Management Limited as responsible entity of the Fund, subject to the approval of Unitholders (defined below). In this letter, references to the "Responsible Entity" are to the entity that is acting as the responsible entity of the Fund at the relevant time.

The purpose of this letter is to provide a summary of the Australian income tax, Goods and Services Tax (**GST**) and stamp duty (collectively, "**Tax**") implications for investors in the Fund (**Unitholders**). In particular, this letter considers the Tax implications for the following categories of Unitholders:

- Unitholders with an existing investment in the Fund (**Existing Unitholders**), who participate in the Withdrawal Offer;
- Existing Unitholders, to the extent that they retain their investment in their Units or invest in new Units in the Fund as part of the Transaction; and
- new Unitholders who invest in new Units in the Fund as part of the IPO (**New Unitholders**).

The information in this letter is general in nature and based on the relevant Australian Tax law in force, understandings of the practice of the relevant revenue authorities, and the established interpretation of



the Australian Tax law, as at the date of this PDS. This summary does not address the non-Australian tax consequences of participating in the Offer. Unitholders are advised to take personal tax advice from a professional tax adviser regarding their particular circumstances.

The summary does not consider the implications for Unitholders who:

- are exempt from Australian income tax;
- acquired their Units as a result of an employment or services arrangement;
- are banks or insurance companies;
- hold their Units on revenue account or as trading stock (i.e. invest or trade in securities in the ordinary course of their business);
- are non-resident for tax purposes, and who hold, or have held at any time, their Units through a permanent establishment in Australia or hold their Units through one or more interposed Australian entities; or
- are subject to the Australian taxation of financial arrangement (TOFA) rules under Division 230 of the *Income Tax Assessment Act 1997* (Cth). We note that if the Unitholder is an individual, the TOFA rules will not apply unless the individual has elected to be subject to the TOFA rules.

Tax law is complex and subject to ongoing change. In particular, we note the taxation of trusts in Australia is currently undergoing a process of reform. Unitholders should therefore continue to monitor any potential changes to the Tax law which may affect them.

2 Existing Unitholders participating in the Withdrawal Offer

Existing Unitholders who participate in the Withdrawal Offer will have their Units redeemed as part of the Transaction, which will represent a disposal of the Units for capital gains tax (CGT) purposes.

It is expected that prior to the IPO, there will be a consolidation of Units. On the basis that such consolidation will not involve a cancellation or issuance of Units, rather a consolidation of the existing Units, no adverse income tax consequences should arise for the Existing Unitholders.

It is also expected that just prior to the allotment of Units under the IPO, Existing Unitholders will receive a distribution of income of the Fund. The Responsible Entity will notify Existing Unitholders of the tax components of this distribution, consistent with past practice.

2.1 Resident Unitholders

An Existing Unitholder, who is an Australian resident for tax purposes, will derive a capital gain to the extent that capital proceeds received as part of the redemption exceed the tax cost base of their Units. On the other hand, the Existing Unitholder will incur a capital loss to the extent that capital proceeds received as part of the redemption are less than the reduced cost base of their Units. Adjustments to the tax cost base may be required (and capital gains may arise) where the Fund has made any tax-deferred distributions on Units.



Broadly, it is expected that the Existing Unitholder's tax cost base in each of their Units will be equal to the amount paid to acquire the Unit, plus any incidental costs, less any reduction in tax cost base arising from tax deferred distributions made by the Fund.

All capital gains and capital losses arising in the relevant income year that the redemption has occurred are added together to determine whether an Existing Unitholder has derived a net capital gain or incurred a net capital loss for that income year. If an Existing Unitholder derives a net capital gain for that income year, subject to the comments below in relation to the CGT discount, this amount is included in the Existing Unitholder's assessable income.

If an Existing Unitholder incurs a net capital loss for that income year, this amount is carried forward and may be available to offset capital gains derived in the same income year or subsequent years, subject to the Existing Unitholder, in some cases, satisfying certain rules relating to the recoupment of carried forward losses.

An Australian resident Unitholder who is either an individual, trustee or complying superannuation fund may be entitled to a CGT discount in respect of a taxable capital gain realised on the ultimate disposal of its Units, if the Units are disposed of at least 12 months after the date of acquisition. The CGT discount applies to reduce capital gains made by individual and trustees by 50%, and capital gains made by complying superannuation funds by 33%. An Australian resident Unitholder may need to recalculate the CGT discount factor if the Australian resident Unitholder had a period of foreign or temporary residency after 8 May 2012. The CGT discount concession is not available for companies.

2.2 Non-Resident Unitholders

A non-resident Unitholder will not be subject to CGT on any gain potentially arising from the redemption of their Units (via their participation in the Withdrawal Offer) unless:

- the non-resident Unitholder (together with their associates), holds 10% or more of the total Units in the Fund;
- the non-resident Unitholder (together with their associates), prior to the time of disposal, held 10% or more of the total Units in the Fund throughout a 12 month period that began no earlier than 24 months before the time of the disposal and ended no later than the disposal time; or
- the non-resident Unitholder is a former Australian resident and chose to treat their Units as taxable Australian property when they ceased to be an Australian resident for income tax purposes.

To the extent that the non-resident Unitholder is subject to CGT, the non-resident Unitholder will derive a capital gain where capital proceeds exceed the tax cost base of their Units. Conversely, the non-resident Unitholder will incur a capital loss where the capital proceeds are less than the reduced cost base. Further, the non-resident Unitholder will be required to lodge an Australian income tax return in respect of the income year the non-resident Unitholder derived the capital gain.

A non-resident Unitholder is generally not entitled to apply the CGT discount.

3 New Unitholders and Existing Unitholders (to the extent that they retain their Units or invest in new Units as part of the Transaction)

The information in this Section 3 contains a general summary of the Australian income tax implications associated with holding Units in the Fund, for both the New Unitholders and the Existing Unitholders (to the extent that they retain an investment in the Fund following completion of the Withdrawal Offer or invest in new Units as part of the Transaction).

It is expected that prior to the IPO, there will be a consolidation of Units. On the basis that such consolidation will not involve a cancellation or issuance of Units, rather a consolidation of the existing Units, no adverse income tax consequences should arise for the Existing Unitholders.

It is also expected that just prior to the allotment of Units under the IPO, Existing Unitholders will receive a distribution of income of the Fund. The Responsible Entity will notify Existing Unitholders of the tax components of this distribution, consistent with past practice.

3.1 Resident Unitholders

(a) Income of the Fund

It is intended that the Fund only undertakes 'eligible investment business' (i.e. carries on passive investment activities), which should not cause the Fund to be classified as a 'public trading trust' pursuant to Division 6C of Part III of the *Income Tax Assessment Act 1936* (Cth). The Fund therefore should be considered to be a flow through trust, and not taxed as a company, for Australian income tax purposes.

It is intended that all Unitholders will be made presently entitled to all of the income of the Fund in respect of each income year. The Unitholders will therefore be taxed on their share of the taxable income of the Fund and the Responsible Entity of the Fund should not be personally liable to pay income tax on all or part of the income of the Fund.

In respect of each income year, the Unitholders may receive trust distributions from the Fund. The Unitholders will be required to include their share of the net income of the Fund (as advised by the Responsible Entity) in their assessable income for tax purposes. The net income of the Fund would be expected to typically consist of:

- Australian sourced income, including net rental income from Australian real property; and
- net capital gains relating to the divestment of taxable Australian property. Where discount capital gains tax treatment has been applied in calculating the net capital gain at the Fund level, the Unitholder will be required to gross up the amount of the capital gain included in their assessable income (i.e. before the CGT discount was applied). A Unitholder can then apply any capital losses they may have arising from other sources (including carried forward capital losses) to offset the capital gain and then apply their CGT discount factor, if applicable.

The Fund will provide the Unitholders with annual tax distribution statements, which will include relevant information for the purpose of assisting Unitholders with completing their annual income tax returns.

(b) Tax-deferred distributions



To the extent that the Fund makes any non-assessable distributions (generally referred to as tax-deferred distributions) to a Unitholder, the cost base and reduced cost base of the Unit would be reduced by the amount of the non-assessable payment. However, the Unitholder's cost base would not be reduced where the non-assessable distributions relates to the part of a capital gain of the Fund that has been sheltered by the CGT discount.

To the extent that the tax-deferred distribution exceeds the Unitholder's cost base of the Unit, the excess will be taxed as a capital gain. In such a circumstance, the cost base and reduced cost base of the Unit will be reduced to nil.

Accordingly, Unitholders are required to maintain records of their tax cost base and reduced cost base in relation their Units, which also will be relevant information for the purposes of calculating capital gains or losses in the future in relation to a disposal or redemption of their Units.

(c) Disposal or redemption of Units

Australian resident Unitholders will derive a capital gain on the future disposal or redemption of a Unit to the extent that the consideration received on disposal or redemption exceeds the Unitholder's tax cost base in the Unit. Australian resident Unitholders will incur a capital loss on the disposal or redemption of a Unit to the extent that the consideration received on disposal or redemption is less than the Unitholder's reduced cost base in the Unit. Adjustments to the tax cost base may be required (and capital gains may arise) where the Fund has made any tax deferred distributions on Units.

Broadly, it is expected that an Unitholder's tax cost base in each of their Units will be equal to the amount paid to acquire the Unit, plus any incidental costs, less any reduction in tax cost base arising from tax deferred distributions made by the Fund.

The amount paid to acquire the Unit for:

- New Unitholders should be equal to the issue price of Units at the time of the Transaction; and
- Existing Unitholders should be the amount paid for the acquisition of the Unit at the time it was acquired.

All capital gains and capital losses arising in an income year are added together to determine whether an Unitholder has derived a net capital gain or incurred a net capital loss in an income year. If the Unitholder derives a net capital gain in an income year, subject to CGT discount, this amount is included in the Unitholder's assessable income.

If an Unitholder incurs a net capital loss in an income year, this amount is carried forward and may be available to offset capital gains derived in the same income year or subsequent years, subject to the Unitholders in some cases satisfying certain rules relating to the recoupment of carried forward losses.

(d) CGT discount

An Australian resident Unitholder who is either an individual, trustee or complying superannuation fund may be entitled to a CGT discount in respect of a taxable capital gain realised on the ultimate disposal of its Units, if the Units are disposed of at least 12 months after the date of acquisition. The CGT discount applies to reduce capital gains made by individual and trustees by 50%, and capital gains made by complying superannuation funds by 33⅓%. An Australian resident Unitholder may need to

recalculate the CGT discount factor if the Australian resident Unitholder had a period of foreign or temporary residency after 8 May 2012. The CGT discount concession is not available for companies.

3.2 Non-Resident Unitholders

(a) Distribution of income

It is expected that the Fund is a Managed Investment Trust (MIT) for Australian income tax purposes.

Broadly, a Fund is a MIT in relation to an income year (i.e. a yearly test) if it satisfies certain requirements including that it:

- is managed and controlled in Australia, or has an Australian resident trustee;
- is not a 'trading trust'; that is, it undertakes only passive investment activities (it must not carry on, or control, a trading business);
- carried on a substantial portion of its investment management activities in Australia;
- is a Managed Investment Scheme within the meaning of the *Corporations Act 2001* (Cth);
- is managed by an appropriately licenced entity; and
- is 'widely-held'.

However, certain matters outside the control of the Responsible Entity can impact the Fund's status as a MIT in any given income year. These include the number, concentration and nature of the ultimate beneficiaries of the Fund for a particular income year. Accordingly, the MIT status will depend also on the satisfaction of these factors.

Assuming the Fund is a MIT, the Responsible Entity will be liable to deduct withholding tax on a Unitholder's behalf in respect of the 'fund payment' component of a distribution payable to a non-resident Unitholder. Generally, this is a final withholding tax and a Unitholder will not be required to lodge an income tax return in Australia as a result of receiving a distribution from the Fund.

The 'fund payment' component of a distribution is likely to include the following amounts:

- Australian sourced income, including net rental income from Australian real properties; and
- gross capital gains in respect of taxable Australian property of the Fund (i.e. grossed up for any CGT discount that has been applied at the Fund level).

The 'fund payment' component, however, will not include the following amount representing:

- interest, royalties or dividends (however, such distributions may be subject to Australian withholding tax, which the Responsible Entity is required to deduct). It is expected that the Fund may distribute interest (in which case the withholding rate is 10%), but it is not expected the Fund will distribute dividends or royalties;
- capital gains in respect of CGT assets that are not taxable Australian property; and

- tax deferred distributions (see our comments above at section 3.1(b)).

The MIT withholding rates for the 'fund payment' component of distribution to non-resident Unitholders will depend on whether the recipients reside in an 'Exchange of Information (EOI) country' (i.e. country which Australia has an EOI Agreement with). The relevant MIT rate of withholding is 15% where the Unitholder is a resident of an EOI country, or 30% where the Unitholder is a resident of a non-EOI country.

(b) Disposal or redemption of Units

A non-resident Unitholder will not be subject to CGT on any gain on the future disposal or redemption of a Unit unless:

- the non-resident Unitholder (together with their associates), holds 10% or more of the total Units in the Fund;
- the non-resident Unitholder (together with their associates), prior to the time of disposal, held 10% or more of the total Units in the Fund throughout a 12 month period that began no earlier than 24 months before the time of the disposal and ended no later than the disposal time; or
- the non-resident Unitholder is a former Australian resident and chose to treat their Units as taxable Australian property when they ceased to be an Australian resident for income tax purposes.

To the extent that the non-resident Unitholder is subject to CGT, the non-resident Unitholder will derive a capital gain where capital proceeds exceed the tax cost base of their Units. Conversely, the non-resident Unitholder will incur a capital loss where the capital proceeds are less than the reduced cost base. Further, the non-resident Unitholder will be required to lodge an Australian income tax return in respect of the income year the non-resident Unitholder derived the capital gain.

A non-resident Unitholder is generally not entitled to apply the CGT discount.

Non-resident Unitholders will, prior to any future disposal of their Units in the Fund, need to give consideration to the potential application of the foreign resident capital gains tax withholding regime (the **Regime**). Under the Regime, purchasers of such Units may, in broad terms, be required to withhold 10% of the purchase price in certain circumstances. Non-resident Unitholders should therefore take advice on the potential application of the Regime to their circumstances in advance of entering into any transaction involving a disposal of their Units in the Fund.

4 Tax File Number and Australian Business Number

An Australian resident Unitholder may quote their Tax File Number (TFN) or, where relevant, Australian Business Number (ABN) to the Responsible Entity. If a TFN or ABN is not quoted, tax may be deducted from any assessable amount paid to the relevant Unitholder. The rate of withholding will be at the top marginal rate of tax, which is currently at 49%.

5 Proposed changes to the MIT regime

On 3 December 2015, the Federal Government introduced draft legislation that impacts the taxation of investors into MITs. The draft legislation became law on 5 May 2016. While the Fund is yet to assess



the full impact of this new legislation on the Fund, it is not expected that it will significantly adversely affect the income tax position of the Fund.

6 Goods and Services Tax

The Unitholders will not be liable for any GST on the disposal of Units pursuant to the Withdrawal Offer, or the acquisition of Units pursuant to the Transaction. Cash distributions from the Fund to the Unitholders will also not be subject to any GST.

However, there may be some restrictions imposed upon certain Unitholders in respect of their ability to recover the GST cost of their transaction costs relating to dealings in the Units (if any). We recommend that the Unitholders seek their own independent GST advice in this regard.

7 Stamp Duty

The Unitholders will not be liable for any stamp duty on the redemption of Units pursuant to the Withdrawal Offer. This is the case for the Unitholders who do, and those who do not, participate in the Withdrawal Offer. The Unitholders will also not be liable for any stamp duty on the acquisition of Units pursuant to the Transaction.

This is on the understanding that:

- at any given time prior to the listing of the Units, the Fund is a "widely held unit trust" for Queensland stamp duty purposes and a "widely held trust" for Victorian stamp duty purposes; and
- as a result of the listing of the Units, no Unitholder (together with any related or associated persons) will hold 90% or more of the Units in the Fund.

In addition, and based on our understanding above, the Fund or Existing Unitholders will not be liable for any stamp duty as a result of the Transaction.

Yours faithfully
Gilbert + Tobin

A handwritten signature in black ink that reads 'Gilbert + Tobin'.

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Thirteen

Summary of Important Documents



13. Summary of Important Documents

13.1. Constitution

Summary of the constitution

The Fund is a registered managed investment scheme, established by unit trust deed poll on 23 March 2005. The constitution of the Fund has been amended since the Fund was established, and the consolidated constitution described here, includes all such amendments. The Offer is conditional on Existing Investors approving the Resolution to amend the current constitution of the Fund to adopt the Constitution in the form described here. A summary of the key provisions of the Constitution which deal with the respective rights and obligations of Unitholders is set out below.

The summary below has been prepared on the basis of the Existing Investors approving at the Unitholder Meeting the amendment of the Fund's constitution so that it is in the form of the Constitution. The Constitution, as amended, will take effect prior to Allotment (and this amendment and restatement will be a Condition to Allotment).

Corporations Act and Listing Rules

The provisions of the Constitution are subject to the Corporations Act and the Listing Rules.

Units

The beneficial interest in the Fund is divided into Units. Each Unit confers an undivided, vested and indefeasible beneficial interest in the Fund (and does not confer rights in any particular asset). AUIRE may issue Units in the Fund. AUIRE may issue different classes of Units, or divide issued Units into different classes, and may reject all or part of an application for Units.

Offer Price

Following the Consolidation, the Offer Price under the Offer is \$2.00, which has been set in accordance with the provisions in the Constitution dealing with an initial public offer.

AUIRE may issue Units subject to the Corporations Act and the Listing Rules:

- at 'market price' while the Units are Listed on ASX;
- otherwise at NTA plus transaction costs if the Units are not Listed; and
- at a price determined by the Responsible Entity provided that the Responsible Entity complies with the Listing Rules and any ASIC relief or other ASIC instrument.

The Fund has elected to "opt-in" and rely on ASIC Class Order CO13/655.

Distributions of income and capital

Section 6.4.2 sets out the Distributions which are anticipated to be payable. Units rank pari-passu (except if there are different classes, which there are not at present), so Distributions of income and/or capital are made to all Unitholders equally based on their proportion of Units held.

Distributable income, if any, will be paid within 90 days after the relevant Distribution date or any longer period allowed by law. Payments can be made electronically.

If AUIRE approves, Unitholders may choose to reinvest some or all of a Distribution by acquiring additional Units. AUIRE may also distribute any amount of capital to Unitholders pro rata at any time. Pro rata Distribution may be in the form of cash or by way of additional Units, or in the form of other assets.

Redemption of Units

While Listed, Units are not able to be redeemed, except under the terms of the Withdrawal Offer made prior to the date of the Listing, or in a buy-back, which satisfies the Corporations Act and the Listing Rules. Any Units acquired by AUIRE under any buy-back (if implemented) will be immediately cancelled, as required by the Corporations Act.

Meetings of Unitholders, and voting

Meetings are to be held in accordance with the Corporations Act. The Chairman will be appointed by AUIRE or, if not appointed by AUIRE, by the meeting itself. Unitholders can vote in person or by proxy. Votes are by show of hands, unless a poll is validly demanded.

Foreign Unitholders

Subject to the Listing Rules and applicable ASIC relief, AUIRE may, in relation to an offer of Units, elect to offer Units only to Unitholders with registered addresses in Australia and New Zealand and such other countries (if any) as the Responsible Entity determines.

Small holdings

As permitted under the Listing Rules, the Fund may purchase 'small holdings' of Units, comprising Units worth a total of less than \$500 on one occasion in any 12 month period. It will give notice to the Unitholder in writing. This is to avoid the administrative cost and inconvenience of maintaining a register of multiple small holdings.

Management of the Fund by Australian Unity Investment Real Estate Limited

AUIRE is responsible for the management of the Fund as required by the Corporations Act and the Listing Rules. AUIRE must always act in the best interests of Unitholders. AUIRE has appointed certain related parties and third parties to provide management services to the Fund, as detailed in Sections 13.5 and 13.6.

AUIRE has full power to issue Units, borrow money and register (including being able to decline to register) transfers of Units. AUIRE has the power to buy and sell Properties and other assets, and can enter into leases. AUIRE can also delegate, but remains ultimately responsible to the Fund.

AUIRE or its officer or employee or associate and its associated entities can hold Units in the Fund, and can deal with itself in any other capacity.

13. Summary of Important Documents (continued)

AUIRE may be indemnified out of the Fund's assets for any liability incurred by it in properly performing any of its duties in relation to the Fund. This indemnity continues after AUIRE retires or is removed as Responsible Entity.

To the extent permitted by law, AUIRE is also indemnified out of the Fund's assets for any liability it may incur prior to becoming the Responsible Entity, but only where that liability arises as a result of it acting or failing to act in its capacity as proposed Responsible Entity pursuing the Offer, and provided that any such indemnity shall only apply, if the relevant liability was incurred in the proper performance of its duties (had it been the Responsible Entity at the time).

Fees of AUIRE

While the Fund is listed on the ASX, AUIRE is entitled to a base fee as shown in Section 11.

AUIRE may elect to be paid fees in Units, rather than cash. It may choose to do so to assist the cash flow of the Fund, but is not required to do so.

AUIRE is entitled to be reimbursed and indemnified for expenses and liabilities incurred in the proper performance of its duties which may include fees which Australian Unity's associated entities or third parties may charge the Fund.

To the extent permitted by law, AUIRE will also be indemnified for any liability it may incur prior to becoming the Responsible Entity, but only where that liability arises as a result of it acting or failing to act, in its capacity as proposed Responsible Entity pursuing the Offer, and provided that any such indemnity shall only apply, if the relevant liability was incurred in the proper performance of its duties (had AUIRE been the Responsible Entity at the time).

Replacement of Responsible Entity

AUIRE can retire if it chooses and must retire when required to do so by law – for example, a resolution of Unitholders under Section 601FM of the Corporations Act.

Proportional takeover bids

The Responsible Entity may refuse to register a transfer of Units under a proportional takeover bid unless Unitholders have passed a resolution to approve it. This provision ceases to have effect three years after the date that the Constitution (as amended if the Resolutions are passed) comes into effect.

Amendments to the Constitution

The Constitution can be amended by a resolution of Unitholders, or AUIRE can make procedural or necessary amendments unilaterally by deed poll, to ensure compliance with the Corporations Act and the Listing Rules.

Term of the Fund

The Fund is an open-ended unit trust. It runs for 80 years (i.e. until 2085) unless terminated earlier by (among others) special resolution of Unitholders in accordance with the Corporations Act, or as notified by AUIRE.

Complaints

AUIRE runs a complaints process, as outlined in Section 14.9.

13.2. Proposed Debt Facility

Summary of the Proposed Debt Facility

The Fund has received credit approved term sheets from its Lenders setting out a high level summary of the agreed terms for the Proposed Debt Facility. The Proposed Debt Facility will only be available on finalisation and execution of full-form financing documents and satisfaction of each condition precedent in the documents associated with the Proposed Debt Facility, including a successful IPO. If the conditions are not met, it is management's intention that the existing debt facility will remain in place, subject to any consents required from the Lenders. Final full-form documents have not been produced at the date of this PDS, but it is intended that a portion of the proceeds of the Offer will be used to repay the existing debt of the Fund in contemplation of the reduced facility limits under the Proposed Debt Facility.

The Fund may use the Proposed Debt Facility:

- to assist in funding new property acquisitions;
- for general working capital requirements (including capital expenditure);
- for paying distributions (under a revolving debt facility established to improve capital efficiency of the Fund); and
- purchasing and cancelling units in the Fund.

Proposed Debt Facility's expiry

The Proposed Debt Facility comprises two tranches: a \$70 million tranche maturing 21 June 2019 and a \$70 million tranche, maturing 21 June 2021.

Undertakings and financial covenants

The Proposed Debt Facility will contain undertakings from the Fund and the Sub-Trusts that provide security for the Proposed Debt Facility that AUIRE considers appropriate or customary for a facility of this nature, including but not limited to:

- not creating or allowing any encumbrance or security interest over the Properties or other assets of the Fund or Sub-Trusts (other than certain agreed permitted encumbrances) without prior consent; and
- not permitting further financial indebtedness to be incurred by the Fund or Sub-Trusts (other than certain agreed permitted indebtedness) without prior consent.

The Proposed Debt Facility will also contain certain restrictions on payment of Distributions by the Fund, including that the aggregate of all Distributions made in any financial year does not exceed the FFO of the Fund in that financial year.

13. Summary of Important Documents (continued)

In addition, the Proposed Debt Facility documentation will include all usual or appropriate financial covenants that AUIRE considers appropriate for a facility of this nature, including but not limited to:

- LVR of no more than 50%, defined as the amount outstanding under the Proposed Debt Facility divided by the (GST-exclusive) market value of the Properties, based on the most recent valuation accepted by the Lenders; and
- Interest cover ratio of at least 2.0 times, calculated over a 12 month period, defined as net income divided by finance charges (in accordance with the methodology set out in the Proposed Debt Facility).

Security

The Proposed Debt Facility will be secured by the following security:

- first ranking registered mortgages over the Portfolio properties;
- general security agreement over all the assets and undertakings of the Fund and the relevant Sub-Trusts; and
- other security considered necessary or required by the Lenders and agreed to by AUIRE reflecting the nature of the Proposed Debt Facility.

Events of default

The Proposed Debt Facility will contain certain events of default (subject, in certain cases, to materiality thresholds and cure periods) which AUIRE considers customary and usual for a financing of this nature. These events include, but are not limited to:

- failure to pay;
- breach of any covenants, financial covenants and undertakings;
- breach of any of the representation or warranties;
- certain events in respect of the Properties (for example, an encumbrance is enforced or becomes enforceable against any of the Properties, failure to maintain the Properties or pay outgoings, or an environmental event occurs which may have a “Material Adverse Effect” (see below);
- termination of certain material documents;
- a material adverse effect on: any security interests securing amounts owing by the Fund under the Proposed Debt Facility or any material rights or remedies of any party to the Proposed Debt Facility; the ability of the Responsible Entity to perform its material obligations under the Proposed Debt Facility; or the business, operation, property, condition (financial or otherwise) or prospects of the Fund (defined as a “Material Adverse Effect”);
- insolvency, or administration of the Fund or a relevant Sub-Trust, or enforcement of an encumbrance against any of the Properties;
- the Fund is delisted or all of the Units are suspended from trading on the ASX for 10 or more consecutive business days

(for reasons other than being an imminent announcement of a major acquisition or merger transaction); and

- change of Responsible Entity without the Lenders’ prior written consent.

An enforcement of security by the Lenders due to an event of default will have a significant impact on the Units and the Fund.

It will also be a review event under the Proposed Debt Facility if there is a change of control in respect of the Responsible Entity or the Fund, in which case the Lenders may require the Proposed Debt Facility to be repaid if agreement cannot be reached as to the terms on which the Lenders are prepared to continue to maintain the facility having regard to the change of control.

13.3. Underwriting Agreement

AUFML (in its capacity as the current Responsible Entity of the Fund), AUIRE and the Joint Lead Managers have entered into an Underwriting Agreement, under which the Joint Lead Managers have agreed to underwrite the Offer.

The Underwriting Agreement does not guarantee that the Offer will be successful.

Fees and expenses

Subject to the Joint Lead Managers satisfying their obligations under the Underwriting Agreement, AUIRE must pay to:

- the Joint Lead Manager, a **Joint Lead Manager fee** that includes:
 - an underwriting fee of 1.87%; and
 - a book runner and management fee of 0.63%, out of the Proceeds of the Offer (defined below), in equal proportions.
- Credit Suisse and UBS, a **financial adviser fee** of 1.0% out of the Proceeds of the Offer, in aggregate between them and in agreed proportions.

For the purposes of calculating the above fees, the “Proceeds of the Offer” assumes that the Offer size is \$155.0 million, even if the Offer size is less than that due to the Withdrawal Offer being less than \$56.2 million.

The above fees will become payable by AUIRE on the Settlement Date, and all fees payable by AUIRE to the Joint Lead Managers are exclusive of GST.

The Joint Lead Managers are responsible for the payment of all syndicate fees which are to be met out of the Joint Lead Manager fee. The Joint Lead Managers are also responsible for a broker firm fee for any broker commission or stamping fees under the Offer and any fees payable to its own affiliated retail distribution channel.

AUIRE has also agreed to reimburse the Joint Lead Managers for certain reasonable costs incurred by the Joint Lead Managers in connection with the Offer up to \$100,000 (excluding any applicable GST).

13. Summary of Important Documents (continued)

Representations, warranties and undertakings

The Underwriting Agreement contains common representations, warranties and undertakings provided by AUIRE to the Joint Lead Managers. The representations and warranties relate to matters such as the power and authorisation to enter into the Underwriting Agreement. AUIRE also gives a number of further representations and warranties, including that this PDS complies with the Corporations Act and the ASX Listing Rules, and does not contain any misleading or deceptive statements or omissions of material required by the Corporations Act. Representations and warranties are also given in relation to matters such as disclosure, financial information, Fund accounts and no misleading and deceptive conduct by AUIRE.

AUIRE's undertakings include that during the 90 day period after the issue and Allotment of Units under the Offer, it will carry on the Fund's business in the ordinary course and not dispose of the Fund's business or property in whole or any substantial part except in the ordinary course or as disclosed in this PDS and not:

- agree or announce an intention to reduce, re-organise, or otherwise alter or restructure the Fund's capital structure;
- amend the Fund's constitution or the constitution of AUIRE; or
- vary any term of a contract summarised in Section 13 of this PDS,

without the prior written consent of Joint Lead Managers (with such consent not to be unreasonably withheld or delayed).

In addition, AUIRE will not, until the 180 day period after the issue and Allotment of Units under the Offer, allot, or agree to allot, or indicate in any way that it may or will allot, or agree to allot, any Units other than pursuant to the Offer, the Underwriting Agreement, an employee security or option plan or any redemption of Units in connection with a withdrawal offer initiated by the responsible entity of the Fund or a proposed transaction disclosed in this PDS.

Indemnity

Subject to customary exclusions (including fraud and gross negligence), AUIRE agrees to indemnify the Joint Lead Managers and certain affiliated parties against all claims, demands, damages, losses, costs, charges, expenses and liabilities directly and indirectly suffered or incurred by the Joint Lead Managers or certain affiliated parties, as a result of or in connection with the Offer and the appointment of the Joint Lead Manager pursuant to the Underwriting Agreement.

Termination events

If any of the following events occurs at any time from the date of execution of the Underwriting Agreement until on or before the Allotment date or such other time as specified below, each Joint Lead Manager may terminate their obligations under the Underwriting Agreement:

- **(compliance with law)** any aspect of the Offer (including this PDS) does not comply with the Corporations Act, all regulations under the Corporations Act, the ASX Listing Rules or any other applicable law or regulations.
- **(supplementary PDS)** in the opinion of the Joint Lead Managers, AUIRE is required to issue a supplementary PDS to comply with section 1014A of the Corporations Act or AUIRE lodges a supplementary PDS in a form that has not been approved by the Joint Lead Managers, acting reasonably.
- **(market fall)** at any time the S&P/ASX 200 A-REIT falls to a level that is 90% or less of the level of that index as at the close of trading on the date of close of the bookbuild and is at or below that level at the close of trading for 2 consecutive Business Days during any time after the commencement date of the Underwriting Agreement; or the Business Day immediately prior to, either the Settlement Date or the Allotment date.
- **(fraud)** AUIRE or any of its Directors or officers engage, or have engaged since the commencement date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer.
- **(listing and quotation)** approval for listing is refused or not granted, or approval for listing is granted subject to conditions other than customary conditions, to the Fund's admission to the official list of ASX on or before the date by which ASX must confirm quotation of the Units, or the quotation of all of the Units on ASX or for the Units to be traded through CHESS on or before the Settlement Date, or if granted, the approval for listing is subsequently withdrawn, qualified (other than by customary conditions) or withheld.
- **(notifications)** any of the following notifications are made in respect of the Offer (other than a notification that is not made public and that is withdrawn after 3 Business Days or prior to 9.00am on the Settlement Date, whichever is earlier):
 - ASIC issued an order (including an interim order) under section 1020E of the Corporations Act;
 - ASIC holds a hearing under section 1020E(2) of the Corporations Act;
 - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or PDS or other Offer documents or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or this PDS or other Offer documents; and
 - any person (other than the Joint Lead Managers) who has previously consented to the inclusion of its name in any Offer document withdraws that consent.
- **(certificate not provided)** AUIRE does not provide a closing certificate as and when required by the Underwriting Agreement.
- **(withdrawal)** AUIRE withdraws this PDS or any other Offer document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer.

13. Summary of Important Documents *(continued)*

- **(insolvency events)** the Fund becomes insolvent, or there is an act or omission which is likely to result in the Fund becoming insolvent.
 - **(timetable)** an event specified in the Offer timetable up to and including the Settlement Date is delayed by more than two Business Days (other than any delay agreed between AUIRE and the Joint Lead Managers or other delay permitted under the Underwriting Agreement) or as a result of ASIC extending the exposure period under section 1016B(2) of the Corporations Act).
 - **(unable to issue Units)** AUIRE is prevented from allotting and issuing the Units under the Offer, within the time required by the Offer timetable, this PDS or any Offer documents, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority.
 - **(change in independent Directors or senior management)** a change in an independent director or a specified member of senior management of AUIRE occurs without the consent of the Joint Lead Managers.
 - **(prosecution)** any of the following occur:
 - a Director or proposed Director named in this PDS of AUIRE is charged with an indictable offence;
 - any governmental agency commences any public action against AUIRE or any of its Directors in their capacity as a Director of AUIRE, or announces that it intends to take action; or
 - any Director or proposed Director named in this PDS of AUIRE is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.
- A Joint Lead Manager may also terminate the Underwriting Agreement if one of the following events occurs, but only if the Joint Lead Manager has reasonable grounds to believe that the event has, or is likely to have, a material adverse effect on the success, settlement or marketing of the Offer, its ability to market or promote or settle the Offer, or will or is likely to give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or its affiliates or the Joint Lead Manager or its affiliates being involved in a contravention of, any applicable law:
- **(adverse change)** any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Fund, including any material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Fund from those disclosed in this PDS, any Offer document or in the public.
 - **(forecast)** there are not, or there ceases to be, reasonable grounds in the opinion of the Joint Lead Managers for any statement or estimate in this PDS or any Offer documents which relate to a future matter is, in the opinion of the Joint Lead Managers, unlikely to be met in the projected timeframe (including in each case financial forecasts).
 - **(change in non-independent Directors)** a change in a non-independent Director of AUIRE occurs without the consent of the Joint Lead Managers.
 - **(new circumstances)** there is a new circumstance that arise after this PDS is lodged that would have been required to be included in this PDS if had arisen before lodgement.
 - **(disclosures in the due diligence report and any other information)** the due diligence report or verification material supplied by or on behalf of AUIRE to the Joint Lead Managers in relation to the Fund or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission.
 - **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement).
 - **(breach of laws)** there is a contravention by AUIRE or the Fund of the Corporations Act, the Competition and Consumer Act 2010 (Cth), ASIC Act (any regulations under those acts), the Constitution or constitution of AUIRE, or any of the Listing Rules.
 - **(representations and warranties)** a representation, warranty, undertaking or obligation contained in this agreement on the part of AUIRE is breached, becomes not true or correct or is not performed.
 - **(breach)** AUIRE defaults on one or more of its obligations under the Underwriting Agreement.
 - **(Constitution)** except as contemplated by the Resolutions, AUIRE varies any term of the Constitution or constitution of AUIRE without the prior written consent of the Joint Lead Managers.
 - **(legal proceedings)** the commencement of legal proceedings against the Fund, AUIRE or against any Director of AUIRE in that capacity.
 - **(information supplied)** any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of AUIRE to the Joint Lead Managers in respect of the Offer or the Fund is in the reasonable opinion of the Joint Lead Manager, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission).
 - **(hostilities)** hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, Hong Kong, a Member State of the European Union, New Zealand, the People's Republic of China, Singapore, the United Kingdom or the United States or any diplomatic, military, commercial

13. Summary of Important Documents (continued)

or political establishment of any of those countries, or a major terrorist act is perpetrated in any of those places.

- **(certificate incorrect)** a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect.
- **(disruption in financial markets)** any of the following occurs:
 - a general moratorium on commercial banking activities in Australia, Hong Kong, Singapore, the United Kingdom or the United States is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - any adverse affect on the financial markets in Australia, Hong Kong, Singapore, the United Kingdom or the United States or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
 - trading in all securities quoted or listed on ASX, New York Stock Exchange, Hong Kong Stock Exchange or the Singapore Exchange is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading.
- **(material leases)** except as disclosed in this PDS, the leases in respect of the single / dominant tenanted office properties set out in Section 2.4 being terminated, breached, materially amended or having become void, voidable or otherwise non-binding.

13.4. Custody Deed

Summary of Custody Deed

AUIRE is not licensed to hold custody of the assets of the Fund. The Custody Deed was entered into between Australian Unity Property Investment Management Limited (ABN 48 120 839 447) (a former Responsible Entity) and The Trust Company (Australia) Limited ('TCA') on 30 September 2011 for a number of its managed investment schemes, including for the Fund. Under the Custody Deed, TCA will:

- provide custody for assets of the Fund;
- hold assets in its own name, but still for the Fund;
- act in accordance with the directions of the Responsible Entity;
- have in place disaster recovery and internal systems and controls;
- keep all appropriate records and report as required;
- maintain adequate insurance covering professional indemnity and fraud; and
- not subcontract its responsibilities (without the written consent of the Responsible Entity).

TCA is authorised to provide custodial services.

TCA is entitled to be indemnified from the Fund for all actions taken, or omitted to be taken, in accordance with a proper instruction given by the Responsible Entity.

TCA may terminate the Custody Deed on 90 days' notice to the Fund. TCA may terminate the Custody Deed immediately in certain circumstances, including where the Responsible Entity has materially breached the Custody Deed and has not remedied that breach within 10 Business Days.

TCA is entitled to 0.02% per annum of the Gross Asset Value, payable quarterly in arrears. The minimum annual fee payable to TCA is \$20,000 plus GST (adjusted by CPI).

13.5. Investment Management Agreement

Following AUIRE's appointment as Responsible Entity, AUIRE as Responsible Entity of the Fund and AUFML will enter into an investment management agreement (Investment Management Agreement) under which AUFML will be appointed as the provider of investment management services to AUIRE as Responsible Entity.

Investment and funds management services

Under the Investment Management Agreement, AUFML is engaged to provide a number of services including:

- **Investment management services:** the Investment Manager will be accountable for the overall performance of the Fund, responsible for:
 - developing and implementing Fund strategies;
 - Fund budgets;
 - quarterly Distributions;
 - half yearly and annual statutory reports;
 - financial management and regulatory reporting requirements;
 - changing property allocation where necessary to optimise investment returns;
 - optimising debt and equity levels to enhance investment performance;
 - managing the Unitholder register; and
 - reporting to key stakeholders about Fund strategy and performance.
- **Fund analyst services:** providing analytical and commercial input to the Fund strategy and investment guidelines, complying with AFSL and regulatory requirements, producing Fund budgets, monthly reforecasts scenario analysis, and financial data for use in investor reporting, providing analysis and input into the effect of acquisition and/ or disposal, major lease deals and major items of capital expenditure on the Fund forecast and providing analysis on the optimal debt and equity level to enhance investment performance.

13. Summary of Important Documents (continued)

- **Transactional services:** identifying and establishing Fund transaction strategies, optimising transaction outcomes and minimising transaction risk and liability, providing feasibility modelling and reporting for potential transactions, arrange for technical, legal and valuation consultants for due diligence management, providing timely notifications for continuous disclosure requirements, continue to review and assess market opportunities and identify suitable assets that will optimise transaction strategies.
- **Fund accounting services:** management of tax and accounting, compliance with business practices, work, health and safety and risk management, management reporting (including preparing NTA estimates, unit pricing, distribution statements, performance reports and forecasting), preparing statutory reporting, preparing tax returns and estimates, CGT calculations and annual unitholder tax statements, responsible for all Unitholder correspondence via Investment Manager.

Fees and expenses

See Section 11.5 for full details.

Term and termination

The term of the Investment Management Agreement will be for 10 years (unless extended by agreement between the parties). Following this initial term, the Investment Management Agreement automatically extends for a further 5 years unless terminated in accordance with its termination provisions.

Following the initial term, AUIRE as Responsible Entity may terminate the Investment Management Agreement upon the giving two years' notice to AUFML. If AUIRE is removed as the Responsible Entity and replaced by an entity which is not a related party of AUFML, the Investment Management Agreement automatically terminates. The Investment Management Agreement can also be terminated if either party is the subject of an insolvency event, change of control or is in breach of the Investment Management Agreement.

Warranties

Under the Investment Management Agreement, AUIRE warrants that after the listing date it has the power and necessary legal authorisations to enter into and perform the Investment Management Agreement, and that the services provided under the Investment Management Agreement are properly delegated to AUIRE on behalf of the Fund. AUFML warrants that it has and will at all times have the skill, facilities, capacity and sufficient competent staff to perform the duties and obligations under the Investment Management Agreement.

Indemnities

Under the Investment Management Agreement, each party indemnifies the other party for any claims and liability incurs which arises out of the performance of the services under the Investment Management Agreement, except to the extent that such a claim is caused or contributed to by any negligence,

misconduct, breach of the Investment Management Agreement or dishonesty of the indemnified party.

13.6. Property Management Agreement

AUIRE as Responsible Entity, and the Sub-Trustees as trustee of their respective Sub-Trusts, (together the '**Fund Trustees**') have entered into a property management agreement ('**Property Management Agreement**') with AUPM under which AUPM has been appointed as the property manager of the Fund. AUPM has agreed to provide certain property management services to the Fund Trustees under the Property Management Agreement.

Summary of services provided under the Property Management Agreement

Under the Property Management Agreement, AUPM is accountable for the overall performance of the Properties and is engaged to provide a number of services including:

- **Property management services:** developing and implementing strategic asset plans for a Property, preparing annual budgets, conducting monthly leasing, third party reports and accounts reviews for each Property, undertaking general administration of tenancies and statutory assessments for each Property, producing a monthly report detailing income and expenditure transactions for each Property, and liaising with any appointed service provider on all Property related matters.
- **Financial management services:** issuing monthly statements to tenants for rent and charges, completing a monthly statement of monies received or expenses incurred, collecting and managing lease deposits and lease security, reviewing and managing arrears of rent and associated charges, implementing rent reviews contained within leases at appropriate times, completing and providing tenants with annual outgoing estimates and reconciliations, paying all Property outgoings and completing tenant account reconciliations as necessary.
- **Leasing services:** providing information to enable AUIRE to analyse and source for prospective tenants and negotiating with prospective tenants the term of a new lease or lease renewal.
- **Rent review services:** reviewing terms of lease to determine the type of review required, engaging an independent valuer for current market rental opinion, reviewing the current outgoings and recoveries in respect of a lease with an analysis against comparable premises, reviewing market data and commentary, the assessment of the relative strength and weaknesses of the lease covenants, and preparing and submitting rental review report to AUIRE.

13. Summary of Important Documents (continued)

- **Project supervision services (in relation to capital works):** preparing outcomes briefs, reviewing tenders, progress and delivery of capital works program, managing project or construction managers and measuring completed capital works against key outcomes.

Term

The initial term of the Property Management Agreement will be for 10 years, with the agreement to continue for 5 years after the initial term, unless terminated upon the giving of two years' notice at any time after the initial term. If AUIRE (or one of its related bodies corporate) ceases to be the Responsible Entity, the Property Management Agreement will terminate automatically two years after the change in Responsible Entity (or immediately if AUPM so elects, in which case the new Responsible Entity will be obliged to pay the equivalent of 24 months' management fees to AUPM).

Fees and expenses

See Section 11.5 for full details.

Liability and indemnity

AUPM indemnifies the Fund Trustees against all expenses, claims, liabilities, costs, loss or damage of any nature which the Responsible Entity may suffer to the extent that they arise out of or in connection with any breach by AUPM or its officers, employees, agents or contractors of the Property Management Agreement, except to the extent that the breach is caused or contributed to by the gross negligence, fraud or wilful default of the Fund Trustees, its officers, employees, agents or contractors.

Provided that AUPM is not in default under Property Management Agreement or in respect of any of its management obligations, nor negligent in its duties, the Fund Trustees indemnify AUPM for any claims by a third party or liabilities AUPM incurs which arises out of the performance of the services under the Property Management Agreement.

The liability of the Responsible Entity under the Property Management Agreement is only in its capacity as Responsible Entity and is limited to the assets of the Fund where it is entitled to the indemnity out of the assets of the Fund as set out in the Property Management Agreement.

Third party agreements

The Fund Trustees have also entered into a series of agreements with third party service providers in connection with the property management services. The fees and expenses incurred in connection with these services are based on market rates and will be payable in addition to any amounts owing to AUPM from time to time.

13.7. Co-operation Deed

AUFML as the current Responsible Entity and AUIRE have entered into a co-operation deed ('**Co-Operation Deed**'). Under the Co-Operation Deed the parties have agreed to take steps to facilitate the Transaction.

Under the Co-Operation Deed, AUFML as the current Responsible Entity has agreed to reimburse any expenses that AUIRE incurs and pays in connection with the Offer to the extent that such expenses were incurred with the prior consent of AUFML.

13.8. Deed of Retirement and Appointment

AUFML has entered into a deed of retirement and appointment on or about the date of this Offer Document ('**DORA**') with AUIRE, conditional on the passing of the Resolutions by Existing Investors at the Unitholder Meeting and all conditions contemplated in those resolutions being satisfied. Under that deed, AUFML will retire as, and AUIRE is appointed as, the Responsible Entity.

The DORA contains provisions relating to:

- the payment of fees to and reimbursement of expenses of AUFML as the retiring Responsible Entity in accordance with the constitution of the Fund (as at the date AUFML retires as the Responsible Entity);
- the transfer of the Fund's assets from AUFML as the retiring Responsible Entity to AUIRE as the incoming Responsible Entity;
- the release of AUFML as the retiring Responsible Entity from all further duties as Responsible Entity; and
- the continued indemnity of AUFML as the retiring Responsible Entity and AUIRE as the incoming Responsible Entity under the Fund's Constitution and law.

13. Summary of Important Documents (continued)

13.9. Distribution Reinvestment Plan

The Responsible Entity has established rules for the participation by Unitholders in a Distribution Reinvestment Plan ('DRP'), pursuant to which eligible Unitholders may elect to reinvest Distributions and receive additional Units in the Fund.

The operation, suspension and termination of the DRP is at the discretion of the Responsible Entity. The Responsible Entity has not yet determined if the DRP will be offered and, if it is to be offered, for which Distributions the DRP will be made available.

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

If the Responsible Entity determines to operate the DRP, full details will be available on the Fund's website (www.australianunityofficefund.com.au), including the Distributions if any in respect of which the DRP is available.

The key terms and conditions of the DRP are set out below.

- Unitholders who wish to participate in the DRP ('Participant') must lodge an application form with the Registry, and must specify on the application form whether the Participant seeks full participation or partial participation in the DRP. If the application form does specify the level of participation, it shall be deemed to be an application for full participation;
- The Responsible Entity may in respect of a Distribution specify a minimum number and/or a maximum limit on the number of Units available for participation in the DRP. If the minimum level of participation is not met, the Distribution will be paid to the Participant rather than reinvested. If the maximum limit is exceeded, the Responsible Entity may scale back on a pro-rata basis each the Participant's participation in the DRP in respect of that Distribution. Where a scale-back applies, any amount of a Participant's Distribution which is not reinvested under the DRP will be paid to the Participant;
- The Responsible Entity may, in its absolute discretion, either issue new Units or cause existing Units to be acquired on-market for transfer to Participants, or a combination of both of those options, to satisfy its obligations under the DRP. If the Responsible Entity determines that existing Units should be purchased and transferred to a participant under the DRP, the Units may be acquired in such a manner as the Responsible Entity considers appropriate, including through a broker in the market. Participants agree to appoint a trustee nominated by the Responsible Entity as the Participant's agent to acquire Units for this purpose;
- The price that Participants pay for Units under the DRP will be the same regardless of whether they are issued by the Responsible Entity or acquired on market;
- The Responsible Entity will issue (or transfer) additional Units to a Participant based on the average daily Volume Weighted Average Price ('VWAP') of all Units sold (or acquired) during a certain period, reduced by a discount to be determined by the Board, rounded to four decimal places;
- A Participant may at any time vary participation in the DRP or cancel participation in the DRP by notice in writing to the Registry, and to be effective for an upcoming Distribution any such notice must be received by 5pm on the record date for that Distribution;
- The issue or transfer of Units to Participants under the DRP is subject to all necessary Australian Government approvals (for example, in relation to foreign investment) and it will be the responsibility of the Participant to obtain any such approvals; and
- No brokerage, commissions, stamp duty or other transaction costs will be payable by Participants in respect of an application for, or allotment of, Units under the DRP.



64 Northbourne Ave, Canberra ACT



Fourteen

Additional Information

14. Additional Information

14.1. ASX waivers and confirmations

In order to conduct the Offer, the Responsible Entity has obtained certain in principle advice from ASX:

- confirming that it has no objection to the structure of the Fund for the purposes of Listing Rule 1.1 (condition 1); and
- that it would be likely to grant a waiver of Listing Rule 6.24 in respect of clause 1 of Appendix 6A to the extent necessary to allow the estimated distribution rate to be given to ASX when announcing a distribution record date and the actual distribution rate to be advised to the ASX as soon as it is known.

14.2. ASIC relief

In order to conduct the Offer, the Responsible Entity has obtained, on behalf of itself and all persons who sell or offer to sell Units during the period of conditional and deferred settlement trading an exemption from, and modifications to, the Corporations Act from ASIC for relief from the short-selling provision in section 1020B(2) of the Corporations Act in order to facilitate trading during such period (which may otherwise have contravened the short-selling provision).

14.3. Litigation and claims

Neither the Responsible Entity nor the Fund is a party to any current litigation material to the financial standing of the Responsible Entity or the Fund and the Directors have no such knowledge of any such potential litigation.

14.4. Labour standards and environment, social and ethical considerations

AUIRE has a Direct Property Responsible Investing Policy which sets guidelines to selecting, managing or realising direct property assets, and specifically covers the following considerations set out below. AUIRE as the incoming Responsible Entity will take into account labour standards and environmental, social and ethical considerations in the selection, retention and realisation of investments by factoring in the cost of maintaining and achieving these standards and considerations in the risk adjusted return calculation used to evaluate such decisions. It will also rely on the Investment Manager for advice in relation to the extent to which such considerations should be factored into its decision making.

Labour standards

When managing and operating Properties, the labour standards the Fund applies are:

- all Properties are to be maintained in a safe condition at all times;
- employment is to be provided consistent with Australian law;
- safety performance to be tracked for each Property (including man-hours worked, incidents and near misses) for workers employed both directly or via contractors; and
- all work performed on Properties, either directly or via contractors, must comply with Australian Law, which ensures equal remuneration, non-discrimination, freedom of association and protection against unfair dismissal.

Environmental considerations

When managing and operating Properties, the environmental considerations the Fund applies are:

- increasing energy efficiency and reducing reliance on non-renewable energy sources;
- reducing water consumption and optimising opportunities to reuse water;
- reducing the generation of non-recyclable waste; and
- optimising the use of environmentally preferable materials in construction and redevelopment.

If the elements are in the landlord's control, performance targets must be set for electricity, gas and water usage on a Property by Property basis and must be reviewed on a quarterly basis. Relevant performance ratings tools must also be sought for each Property, and where a relevant performance rating tool exists, the ratings must be completed and kept up to date.

Social considerations

When managing and operating Properties, the social considerations the Fund applies are:

- where possible and feasible, incorporating cultural, natural or heritage elements into construction or redevelopment design;
- improving the quality of the indoor environment by giving consideration to thermal comfort, indoor air quality and natural light;
- considering alternate transport modes such as the provision of bicycle facilities; and
- enhancing disability access in any major construction or redevelopment design.

14. Additional Information (continued)

Ethical considerations

When managing and operating Properties, the ethical considerations the Fund applies are:

- managing the Fund in the interests of Unitholders;
- respecting the law and governing policies, and acting accordingly;
- respecting privacy rights and committing to complying with all applicable privacy laws; and
- being honest in all dealings.

14.5. Related party transactions

Each entity in the Australian Unity Group is a related party of AUIRE for the purposes of Part 2E as amended by Part 5C.7 of the Corporations Act. AUIRE, will have an ongoing relationship with a number of Australian Unity entities, including:

- AUPM, for property management and real estate services under the Property Management Agreement;
- AUFML as:
 - the Responsible Entity prior to its retirement;
 - the retiring Responsible Entity under the DORA (including the obligations and indemnities contained under that document);
 - investment manager of the Fund under the Investment Management Agreement;
 - a trustee of the Sub-Trusts (see below); and
 - with respect to the amendment of the Fund's constitution, to the extent that any related party benefits accrue to an Australian Unity Group entity.
- Each of these agreements is summarised in Section 13 and the fees payable under the Investment Management Agreement, Property Management Agreement and Constitution are disclosed in Sections 11 and 13. The arrangements under these agreements are consistent with market standard terms. However, approval under Chapter 2E of the Corporations Act will be sought at a Unitholders Meeting on or about 17 June 2016 to allow the parties to enter into the arrangements, to the extent the arrangements are not considered to be on arm's length terms.
- In addition, two members of the Australian Unity Group, AUFML and AUIMA, act as trustees to the Sub-Trusts and under the terms of the trust deeds of each Sub Trust are entitled to fees and reimbursement for expenses and liabilities. AUFML and AUIMA have agreed, subject to the satisfaction of the Conditions, to waive their rights to fees and reimbursement.
- Additionally, the independent Directors of AUIRE are entitled to receive their fees for acting as independent Directors of the Fund directly out of the assets of the Fund, which is a related party transaction. The annual fees are \$125,000 per annum for Mr Peter Day, as Chairman, and \$90,000 per annum for Mr Don Marples as an independent Director. The Board considers that these amounts constitute reasonable remuneration and so do not require Unitholder approval.

- Finally, see Section 6.8.5 for information on the one-off performance fee which will be paid under the Constitution to AUFML, as the outgoing Responsible Entity, immediately prior to the change of Responsible Entity, subject to the Existing Investors passing the Resolutions.

The Australian Unity Group intends to support the IPO by reinvesting the performance fee AUFML will receive immediately prior to the change of Responsible Entity into the Fund by applying for Units under the IPO with an aggregate subscription price equivalent to the amount of the performance fee. Australian Unity corporate entities and funds managed by Australian Unity subsidiaries are expected to have an investment in the Fund of up to 15% at Allotment. Any subscription will be made under the Institutional Offer on the same terms as other Institutional Investors under the Offer.

Australian Unity Personal Financial Services Ltd (a wholly owned subsidiary of Australian Unity), and its authorised representatives, may provide financial advice to its clients in relation to investing in, or continuing to hold Units in, the Fund.

The executive Director is an employee of the Australian Unity Group. One of the non-executive Directors is also a director of Australian Unity. A second non-executive Director was a director of Australian Unity until 29 February 2016 and is a director of Seres Asset Management Limited which is partly owned by a subsidiary of Australian Unity.

Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. It is important for Unitholders to be able to assess whether the Responsible Entity takes an appropriate approach to related party transactions. See section 5.6 for more information about Australian Unity's Management of Conflicts and Related Party Transactions Policy.

14.6. Interests of Directors

At the date of this PDS, none of the Directors hold any Units. Of the Directors, Peter Day currently intends to participate in the Australian Unity Offer by applying for up to \$100,000 of Units (that is, up to 50,000 Units in total).

Directors, officers and staff of Australian Unity and AUIRE, as well as the Australian Unity Group's associated entities where applicable, may participate in the Offer on the same terms as the Broker Firm Offer. These individuals and entities may also buy on-market, subject to any applicable timing under the Securities Trading Policy or 'insider trading' rules.

In addition, certain of the directors of AUFML (the current Responsible Entity of the Fund) and of AUIRE (the incoming Responsible Entity of the Fund) may have non-material indirect investments in Australian Unity or the Units as a result of investments held by them directly or indirectly in Australian Unity financial products or managed funds.

Finally, as disclosed in Section 14.5 above, the independent directors are entitled to receive fees for acting in that capacity directly out of the Fund's assets.

14. Additional Information (continued)

14.7. Exercise of pricing discretions

AUIRE has elected that ASIC Class Order CO 13/655 will apply to pricing of Units in the Fund. The Offer Price has been calculated in accordance with the Constitution of the Fund as a fixed price equal to the Offer Price stated in this PDS. Details of any discretion which will be applied to the pricing of Units following Listing is to be accessible on the Fund's website (www.australianunityofficefund.com.au) free of charge.

14.8. Interests of professional advisers and promoters

Credit Suisse (Australia), National Australia Bank, and UBS AG, Australia Branch are acting as Joint Lead Managers and Underwriter to the Offer. AUIRE has paid, or has agreed to pay, the Joint Lead Managers the fees described in Sections 11.4 and 13.3 for these services in respect of the Offer.

Credit Suisse (Australia) and UBS AG, Australia Branch are also acting as Joint Financial Advisers and are also providing corporate finance advice to Australian Unity Investment Real Estate Limited in respect of the Offer. AUIRE has paid, or has agreed to pay, the Joint Lead Managers the fees described in Sections 11.4 and 13.3 for these services in respect of the Offer.

Ernst & Young has undertaken financial due diligence in relation to the Fund in connection with the Offer. AUIRE has paid, or agreed to pay, approximately \$262,100 (excluding disbursements and GST) for these services in respect of the Offer. Further amounts may be paid to Ernst & Young in accordance with its time-based charge-out rates.

Ernst & Young Transaction Advisory Services Limited has acted as the Investigating Accountant and has prepared the Independent Limited Assurance Report in Section 7. AUIRE has paid, or agreed to pay, approximately \$29,000 (excluding disbursements and GST) for these services in respect of the Offer. For further details of the fees AUIRE has paid, or agreed to pay, refer to the Financial Services Guide attached to the Independent Limited Assurance Report. Further amounts may be paid to Ernst & Young Transaction Advisory Services Limited in accordance with its time-based charge-out rates.

Gilbert + Tobin is the Australian legal adviser to AUIRE in relation to the Offer. Gilbert + Tobin has also prepared Section 12 of this PDS in its capacity as Taxation Adviser. AUIRE has paid, or agreed to pay, approximately \$1,400,000 (excluding disbursements and GST) for the above services in respect of the Offer.

The following organisations have acted as Valuers in respect of the Offer, and have prepared the Valuation Reports (the summaries of which appears in Section 8). Savills has prepared an Independent Market Report on Australia's office market as set out in Section 4 of this PDS. AUIRE has paid, or agreed to pay, approximately the amounts shown below for the above services in respect of the Offer.

Savills (Valuation Reports and Independent Market Report)	\$37,500 (excluding GST)
Urbis (Valuation Report)	\$7,000 (excluding GST)
CBRE (Valuation Report)	\$2,500 (excluding GST)
Knight Frank (Valuation Reports)	\$15,250 (excluding GST)

These are included in the fees and expenses set out in Section 11.4. Further amounts may be paid to one or more of the parties above based for services providing following the date of this PDS. Any amounts incurred have not been taken into account in setting the Offer Price, but may be payable from the Fund following Allotment.

14.9. Complaints

We take complaints seriously and aim to resolve them as quickly as possible. If you would like to make a complaint you can email us at investments@australianunity.com.au or write to us at the following address:

Manager – Client Services
Australian Unity Investments
114 Albert Road
South Melbourne VIC 3205

We will promptly acknowledge your complaint within 10 business days, investigate it and decide in a timely manner what action needs to be taken. We will notify you of our decision within 45 days after receipt of the complaint, together with any remedies that are available, or other avenues of appeal against the decision.

If you are then not satisfied with our handling of your complaint, you may contact:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Phone: 1300 78 08 08
Fax: (03) 9613 6399

Website: www.fos.org.au
Email: info@fos.org.au

This service operates as an independent body for the industry, to determine unresolved complaints. There is no cost to you for using this service.

If you require investment advice, you should contact your Broker, financial planner or other investment professional. It is suggested that you do contact any of these persons first, before raising a complaint with the Fund, if it relates to an investment in the Fund.

14. Additional Information (continued)

14.10. Consents

The organisations listed in the following table have given, and have not before the date of this PDS with ASIC withdrawn, their written consent to:

- be named in this PDS in the form and context in which they are named;
- 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 PDS; and
- the inclusion of other statements in this PDS which are based on or referable to statements made in those reports or statements, or which are based or referable to other statements made by those persons in the form and context in which they are included.

Name of entity	Named as	Report or Statement
Ernst & Young Transaction Advisory Services Limited	Investigating Accountant	Independent Limited Assurance Report in Section 7
Ernst & Young	Auditor	
Gilbert + Tobin	Tax Adviser	Taxation Report in Section 12
Credit Suisse (Australia) Limited	Joint Lead Manager and Joint Financial Adviser	
National Australia Bank Limited	Joint Lead Manager	
UBS AG, Australia Branch	Joint Lead Manager and Joint Financial Adviser	
Savills (VIC) Pty Ltd	Independent Expert	Independent Market Report in Section 4
Savills Valuations Pty Ltd	Valuer	Valuation Summary in Section 8
Valuations Services (NSW) Pty Ltd and Valuations Services (QLD) Pty Ltd each trading as Knight Frank Valuations	Valuer	Valuation Summary in Section 8
Urbis Valuations Pty Ltd	Valuer	Valuation Summary in Section 8
CBRE Valuations Pty Ltd	Valuer	Valuation Summary in Section 8
The Trust Company (Australia) Limited	Custodian	
Boardroom Pty Limited	Registry	
Gilbert + Tobin	Australian Legal Adviser	
Australian Unity Limited	Australian Unity	

None of the organisations referred to above has made any statement that is included in this PDS or any statement on which this PDS is based, other than any statement or report included in this PDS with the consent of that organisation as specified above.

Each of the organisations referred to above:

- has not authorised or caused the issue of this PDS;
- makes no representation; and
- expressly disclaims and takes no responsibility for any statements in or omissions from this PDS other than references to its name or a statement or report included in this PDS with the consent of that person as specified above.

Each Director has given and has not, before lodgement of this PDS with ASIC, withdrawn their consent to be named in this PDS as a Director in the form and context in which they are named and for the statements made by and on behalf of them to be included in this PDS. Each Director has consented to the lodgement of this PDS with ASIC.

14.11. Personal information

General

AUIRE is required to collect certain information about Unitholders under company and tax law (including the Corporations Act).

By completing an Application Form to apply for Units, you are providing personal information to AUIRE through the Registry.

Your personal information may be provided to persons under the Offer, and other providers, in circumstances including:

- AUIRE to the Joint Lead Managers, in order to assess your Application, and for on-going administration;
- The Registry, to deal with your holding and organise mail-outs and other essential services;
- Printers and mail companies, to prepare and distribute statements and reports to you;

14. Additional Information (continued)

- Professional advisers, in relation to specific or general questions of AUIRE, the Fund, or in response to Unitholder enquiries or disputes;
- Market research and support companies of AUIRE, for product development and planning, as well as analysing the Unitholder base of the Fund; and
- Service companies (such as those which may provide the services of management or a Director, or the Compliance Officer), in respect of any relevant matter relating to AUIRE and the Fund, may process your information, provide services that you request, and inform you about products and services (including future offers of securities) for the Fund and other subsidiaries of Australian Unity.

It is not anticipated, at the date of this PDS, that any of these entities will be located outside Australia. If it becomes necessary to either process or deal with personal information with respect of holdings held outside Australia, or particularly by entities which exist outside Australia (which may not have personal and privacy legislation which provides the same level of protection as afforded under Australian law to Unitholders), AUIRE will update its privacy policy on its website.

Your personal information may also be required to be disclosed to domestic and overseas regulators, or to other government agencies (including ASIC and the ATO), as well as the ASX, APRA or FOS or other applicable regulatory bodies. Information provided may be specific and personal, or general in nature, such as providing registry details. Also, your personal information may appear in public registers maintained by regulators or other bodies, for example if you become a significant Unitholder.

If you do not provide the information requested in the Application Form, AUIRE, the Joint Lead Managers and the Registry may not be able to process, deal with or otherwise accept your Application. Those entities may not be able to administer your Unitholding going forward, and/or send information about the Fund or other managed investment schemes or services of Australian Unity, including future offers of securities.

AUIRE's privacy policy is available on the Fund's website (www.australianunityofficefund.com.au). This Privacy Policy contains information about how you may access and seek rectification of personal information that AUIRE holds or controls about you. It also deals with how you may complain against a breach of the Privacy Act 1988 (Cth) and how such a claim will be dealt with by AUIRE – see 'Complaints' Section above. If you do not wish to receive information about other products and services of Australian Unity, including future offers of securities, please contact Australian Unity Investment Real Estate Limited or the Registry at the address shown in the Corporate Directory at the back of this PDS, with a specific request that we do not send to you marketing material.

Application form

By returning an Application Form to AUIRE, you will be taken to represent and warrant that you, as an Applicant:

- have received an electronic or printed copy of the PDS (and any supplementary or replacement PDS) accompanying the Application Form, and have read it or them in full;
- agree that your Application is completed and lodged in accordance with this PDS, and subject to all of the declarations and statements both in and on the Application Form;
- declare and confirm that all details and statements in the Application Form are complete and accurate;
- declare and confirm that the signature of the Applicant (particularly where a corporate or trust/trustee) is valid and binding on the Applicant;
- acknowledge and confirm that once the Application Form is returned, it may not be withdrawn;
- agree to the issuance by the Fund of the number of Units in the Application Form, at the value you apply for (or such lower number issued in accordance with any scale-back in this PDS);
- are 18 years old at least (if a natural person), and do not suffer from a legal disability preventing you from applying for Units; and
- authorise the Fund and the Responsible Entity, and their officers or agents, to do anything which they believe necessary for Units to be issued to you, including acting on instructions received by the Registry using the contact details on the Application Form.

Access to information

AUIRE will communicate regularly with Unitholders, including publishing and distributing:

- audited annual financial reports and statements;
- half-yearly reports and financial statements;
- holding statements;
- annual taxation statements; and
- ASX announcements.

This information will be accessible on the Fund's website (www.australianunityofficefund.com.au), except for holding statements and other information which is personal to you.

As a disclosing entity, AUIRE will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office (or may be available through their website), and will also be lodged with ASX as required, and available through the ASX website.

14. Additional Information (continued)

You also have the right to obtain a copy of each annual report lodged with ASIC (including the Fund's most recent annual report), any half-yearly report lodged with ASIC (including any half-yearly report lodged with ASIC after the lodgement of the Fund's most recent annual report and before the date of this PDS), and any continuous disclosure notices given by AUIRE, free of charge.

AML and CTF

Notwithstanding any other provisions of this PDS, each investor agrees to provide any information or documents reasonably requested in order to ensure compliance with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth) (**AML/CTF Act**) or AML/CTF Rules. Information requested may include, identification checks and procedures, including, in relation to individual investor, name, address and date of birth and for an investor that is a company, details of directors and beneficial shareholders of the company.

If in complying with the AML/CTF Act a reasonable opinion is formed that information should be disclosed in order to comply with the AML/CTF Act or AML/CTF Rules, each investor agrees and consents to that disclosure and neither AUFML nor AUIRE will incur any liability to an investor in respect of such disclosure.

14.12. The Custodian

The Custodian holds the assets of the Fund as custodian, and acts on proper instructions issued by AUIRE. The Custodian does not make any investment decisions for the Fund, and does not have a supervisory role in the operation of the Fund. The Custodian is indemnified for liabilities and expenses, and for all actions taken, or omitted to be taken, in accordance with proper instruction given by the Responsible Entity. A description of the Custody Deed is in Section 13.4.

14.13. Further information

Further information about the Fund and AUIRE can be found at www.australianunityofficefund.com.au. All public reports and continuous disclosures will be accessible through this website.

14.14. ASX corporate governance statement

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance council's ('**Council**') eight principles of good corporate governance ('**Principles**'), and the extent to which the Fund complies with the associated recommendations for each. The Principles have been modified by the Council when applied to externally manage listed trusts such as the Fund. While the Council has stated a number of the recommendations do not apply to externally-managed listed trusts, AUIRE has either directly or through its arrangements with Australian Unity put in place procedures in relation to a number of those recommendations as they relate to the Fund and AUIRE as described below.

Further details of AUIRE's corporate governance framework are set out in Section 5.6 of this PDS.

14. Additional Information (continued)

ASX Corporate Governance Recommendation

Form and manner of compliance

Principle 1: Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1

The responsible entity of an externally managed listed entity should disclose:

- (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and
- (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.

The Fund will be managed under the supervision and direction of the Board.

The primary function of the Board is to ensure that the Fund is managed in the best interests of Unitholders. This involves monitoring the decisions and actions of the Fund's managers and the management team who are responsible for the day-to-day management of the Fund. The Board also monitors the governance and performance of the Fund through the committees established by it.

The Board has formalised its roles and responsibilities in the Board Charter. A summary of the Board Charter is set out in Section 5.6 of this PDS and a copy of the Board Charter is available at www.australianunityofficefund.com.au.

All matters, unless specifically reserved for the Board, necessary for the day-to-day management of the Fund are delegated by the Board to the Fund's managers. Although the Board retains overall responsibility for the management of the Fund, under the Investment Management Agreement and the Property Management Agreement, AUIRE has engaged AUFML and AUPM to provide, or procure the provision of certain services and resources to AUIRE to enable it to carry out its obligations in respect of the Fund. A summary of the Investment Management Agreement and Property Management Agreement is set out in Sections 13.5 and 13.6 of this PDS.

Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or reelect a director.

Not applicable, as the Fund is externally managed.

However, prior to appointment, or recommendation for appointment, as a Director, appropriate background checks including police and bankruptcy background checks and the provision of business references are carried out.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Not applicable, as the Fund is externally managed.

However, AUIRE ensures that all Directors and senior executives providing services to the Fund have a letter of appointment setting out the remuneration, right to the provision for a deed of access and indemnity, term of appointment, expectations regarding meetings and committees.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Not applicable, as the Fund is externally managed.

However, the company secretary of AUIRE is accountable directly to the Board on all matters of governance and will inform the board of all relevant matters not otherwise brought to the attention of the Board.

14. Additional Information (continued)

ASX Corporate Governance Recommendation

Form and manner of compliance

Recommendation 1.5

Not applicable, as the Fund is externally managed.

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
can disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Recommendation 1.6:

Not applicable, as the Fund is externally managed.

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

However, in accordance with the Board Charter of AUIRE, the performance of the Board will be evaluated each year in a manner determined by the chair of the Board. A copy of the Board Charter is available at www.australianunityofficefund.com.au.

Recommendation 1.7

Not applicable, as the Fund is externally managed.

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

However, the Board is responsible for reviewing the performance of AUFML and AUPM under the Investment Management Agreement and Property Management Agreement respectively.

14. Additional Information (continued)

ASX Corporate Governance Recommendation

Form and manner of compliance

Principle 2: Structure the board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1

Not applicable, as the Fund is externally managed.

The board of a listed entity should:

- (a) have a nomination committee which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Not applicable, as the Fund is externally managed.

However, the Board will be made up of Directors with a broad range of skills, expertise and experience and from a diverse range of background, including gender, which is appropriate to achieve the Fund's objective.

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

Peter Day and Don Marples are independent Directors, appointed by AUIRE as the initial independent Directors.

In determining the independence of its Directors, AUIRE has had regard to the guidelines provided by Principle 2 of the ASX Guidelines.

14. Additional Information (continued)

ASX Corporate Governance Recommendation

Form and manner of compliance

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

Not applicable, as the Fund is externally managed.

The Board has two independent Directors, one of whom is the independent Chairman, Peter Day. In addition to the two independent Directors, two of the three remaining Directors are non-executive Directors (Eve Crestani and Greg Willcock). The Board considers this to be the optimal Board composition given the current size and business of AUIRE.

Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity

Not applicable, as the Fund is externally managed.

However, the Chairman of the Board is Peter Day who is an independent Director.

Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Not applicable, as the Fund is externally managed.

All Directors receive an induction or orientation program which includes information on AUIRE's values and knowledge and skills appropriate to their role.

Ongoing training for the Directors includes site visits to familiarise themselves with the Properties, and making available professional education programs to enhance skills and knowledge, and presentations on developments impacting the Fund.

Principle 3: Act ethically and responsibly

A listed entity should act ethically and responsibly.

Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

Each Director and employee of the Australian Unity Group involved in the management or provision of services to the Fund has agreed to comply with the Code of Conduct.

The Code of Conduct aims to ensure that all Directors and employees of the Australian Unity Group meet the highest ethical and professional standards in the conduct of their duties and obligations and in dealing with other employees and officers, as well as the investors of the Fund. This is to ensure that trust and confidence is maintained to the highest standards with all stakeholders, including Unitholders, regulators, stakeholders, service providers, tenants and the public.

The Code of Conduct is described at Section 5.6, and a copy of the Code of Conduct is available at www.australianunityofficefund.com.au.

14. Additional Information (continued)

ASX Corporate Governance Recommendation

Form and manner of compliance

Principle 4: Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:
 - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 - (2) is chaired by an independent director, who is not the chair of the board,and disclose:
 - (3) the charter of the committee;
 - (4) the relevant qualifications and experience of the members of the committee; and
 - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board has established an Audit and Risk Committee to assist the Board in overseeing the integrity of the Fund's financial reporting, risk management framework and the independence of external auditors, and monitoring compliance with legal, regulatory and policy requirements.

The Audit and Risk Committee's members are appointed by the Board and must comprise at least three members, the majority of whom are independent. The chair of the Audit and Risk Committee is required to be an independent Director (but must not be the chair of the Board). Don Marples has been appointed by the Board to chair the Audit and Risk Committee, with independent director Peter Day and non-executive director, Eve Crestani to serve as members of the Audit and Risk Committee.

The qualifications and experience of the members of the Committee are set out in Section 5.3 of this PDS.

The Audit and Risk Committee has a formal charter which sets out the Committee's responsibilities and functions. The key roles and responsibilities of the Committee are summarised in Section 5.6 of this PDS. A copy of the Audit and Risk Committee Charter is available at www.australianunityofficefund.com.au.

The Audit and Risk Committee will meet as necessary but, at a minimum four times per financial year (in each full financial year).

Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

To the extent that the financial statements of the Fund are approved by the Board each financial year, the Chief Operating Officer for Australian Unity Investments or Chief Financial Officer Australian Unity Investments will provide the declarations required by Section 295A of the Corporations Act.

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

This Recommendation applies as the Fund will hold annual general meetings (AGMs). The Fund's external auditor will attend and be available at the Fund's AGM to answer questions from Unitholders relevant to the audited accounts of the Fund.

14. Additional Information (continued)

ASX Corporate Governance Recommendation

Form and manner of compliance

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

AUIRE is committed to fair and open disclosure and its policy has been adopted to ensure AUIRE meets its disclosure obligations under the Corporations Act and the ASX Listing Rules in relation to the Fund.

The overriding principle of the Fund's Continuous Disclosure Policy is to ensure that the Fund complies with the ASX Listing Rules and provides equal access to information and to promote quality communication between the Fund and third parties, such as Unitholders, the investment community, the media and the ASX.

AUIRE's company secretary, will be responsible for ensuring the Fund complies with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act.

The communication policy and continuous disclosure policy are summarised at Section 5.6, and copies are available at www.australianunityofficefund.com.au.

Principle 6: Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

AUIRE has adopted a communication policy and continuous disclosure policy. AUIRE intends to provide all relevant information about itself, the Fund and the governance of the Fund at www.australianunityofficefund.com.au, as required by the ASX Guidelines and the Listing Rules.

Summaries of the various governance policies are at Section 5.6.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

AUIRE will provide clear and effective communications with stakeholders on matters affecting the Fund and the Units, in accordance with the communication policy and continuous disclosure policy.

Announcements in respect of the Fund and AUIRE will be:

- released to ASX as required by the Listing Rules;
- posted to AUIRE's website; and
- distributed to major media and investor contacts.

AUIRE will also regularly communicate with Unitholders, including through the publication of:

- audited annual financial reports;
- reviewed half-yearly financial reports;
- Distribution statements;
- annual taxation statements; and
- Fund updates.

AUIRE's website will also have accessible information on the Fund, half-yearly and annual reports, and Distribution information.

14. Additional Information (continued)

ASX Corporate Governance Recommendation

Form and manner of compliance

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Fund will hold an AGM of Unitholders. Each meeting will cover formal business, but also provide Unitholders with an opportunity to be updated on the activities of AUIRE and the Fund, and to ask questions of the Board and management of the Fund. The auditor of the Fund will also attend to answer questions on the audited accounts of the Fund at each AGM. Notices of meeting and explanatory memoranda for Unitholder resolutions will be provided to Unitholders in accordance with the Constitution and the Corporations Act, and will be accessible on the Fund's website, as well as being lodged with ASX. Unitholders who are not able to attend an AGM are able to vote by proxy.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

AUIRE intends to provide Unitholders with the option of receiving communications from the Fund electronically.

Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
 - (1) has at least three members, a majority of whom are independent directors;
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board has established the Audit and Risk Committee to assist the Board in overseeing and reviewing the effectiveness of AUIRE's risk management framework which applies to AUIRE and the Fund.

The Audit and Risk Committee's members are appointed by the Board and must comprise at least three members, the majority of whom are independent. The chair of the Audit and Risk Committee is required to be an independent Director (but must not be the chair of the Board). Currently, the Audit and Risk Committee is chaired by Don Marples, with independent director, Peter Day and non-executive director, Eve Crestani serving as members of the Audit and Risk Committee.

The Board has adopted a formal charter setting out the main responsibilities and functions of the Audit and Risk Committee. A copy of the Audit and Risk Committee Charter is available at www.australianunityofficefund.com.au.

The Audit and Risk Committee's specific responsibilities relating to risk management include:

- overseeing and reviewing the effectiveness of the risk management framework at least annually;
- approving and reviewing the quality and adequacy of risk management policies, systems, procedures, controls and practices that apply to the Fund, including business continuity management;
- promoting a greater awareness and commitment to risk management practices in relation to the Fund; and
- providing a forum for review of changes to regulatory and statutory requirements with regard to risk management.

The Audit and Risk Committee will meet as necessary but at a minimum, four times per financial year (in each full financial year). At the end of each reporting period the number of times the committee met throughout the period will be disclosed, including the individual attendance of the members at those meetings.

See also Recommendation 4.1.

14. Additional Information (continued)

ASX Corporate Governance Recommendation

Form and manner of compliance

Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Audit and Risk Committee will oversee and review the effectiveness of AUIRE's risk management framework annually.

Additionally, the Audit and Risk Committee must review the Audit and Risk Committee Charter annually and obtain the approval of the Board in respect of any amendments to the Audit and Risk Committee Charter.

Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

AUIRE does not have an internal audit function. As a wholly-owned subsidiary of Australian Unity, AUIRE and the Fund will be incorporated into the annual Australian Unity audit plan where applicable. The Audit and Risk Committee will receive and review reports provided by the Australian Unity Group internal audit on issues relevant to AUIRE or the Fund and consider any major findings of internal audit reports and review management's response in terms of content and timeliness.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Fund is exposed to certain economic risks. Refer to Section 9 of this PDS for more information in respect of those risks, and risks associated with holding Units generally. Those risks are managed and reviewed regularly by AUIRE in accordance with its risk management framework, under the supervision of the Audit and Risk Committee.

Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendations 8.1, 8.2 and 8.3

An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.

Not applicable, as the Fund is externally managed.

Section 11 sets out the fees payable to AUIRE under the Constitution. A summary of the Constitution is at Section 13.1. In addition, summaries of the fees payable to other Australian Unity Group entities who provide management services to the Fund are contained in Section 11.5.



64 Northbourne Ave, Canberra, ACT

Fifteen Glossary



15. Glossary

The following words and expressions have these meanings in this PDS, unless the context otherwise requires:

\$ or A\$	Australian dollars.
1HFY18	The 6 month period ending 31 December 2017.
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
AFSL	An Australian financial services licence issued under the Corporations Act.
Allotment	The allotment of Units pursuant to the Offer and the Allotment Date is the date on which Allotment occurs.
Applicant	A person who submits an Application.
Application	An application for Units under the Offer described in this PDS.
Application Form	The relevant form attached to, or accompanying this PDS, including the online application form at www.australianunityofficefund.com.au , pursuant to which Applicants apply for Units.
Application Monies	Monies received from Applicants in respect of their Application(s).
Assumed Consolidation Ratio	0.4185 Units for each Unit held on the Consolidation date.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires.
ASX Settlement Operating Rules	The settlement operating rules prepared or published by or on behalf of ASX Settlement which are applicable while the Fund is admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX Settlement.
ASX Guidelines	ASX Corporate Governance Principles and Recommendations (Third Edition).
Auditor	The auditor of the Fund, Ernst & Young (ABN 75 288 172 749).
AUFML or Investment Manager	Australian Unity Funds Management Limited ABN 60 071 497 115.
AUIMA	Australian Unity Investment Management Administration Pty Limited ABN 76 115 442 969.
AUIRE	The Responsible Entity of the Fund, Australian Unity Investment Real Estate Limited ABN 86 606 414 368, AFSL 477 434 on and from Allotment. In this PDS, references to AUIRE are to that entity in its capacity as Responsible Entity (and AUIRE issues this PDS in that capacity).
AUPM or Property Manager	Australian Unity Property Management Pty Limited, a wholly owned subsidiary of Australian Unity and part of the Australian Unity Group of companies which undertake property management and associated activities.
Australian Accounting Standards or AAS	The Australian Accounting Standards and other authoritative announcements issued by the AASB.
Australian Unity	Australian Unity Limited ABN 23 087 648 888.
Australian Unity Group	Australian Unity and each of its subsidiaries.
Australian Unity Offer	The invitation to Existing Investors and other investors invited to participate in the Fund under this PDS as outlined in Section 10.12.
Australian Unity Real Estate Investment	The division of the Australian Unity Group responsible for real estate management.
Base Fee	The 'Base Fee' payable to the Responsible Entity under the Constitution.
Board	The board of Directors of AUIRE.
Broker	A broker(s) appointed by the Joint Lead Managers (with the prior consent of AUIRE) to act as a participating broker(s) to the Offer.
Broker Firm Offer	The invitation under this PDS to Retail Investors who have received a firm allocation of Units from their Broker, as described in Section 10.11.
Business Day	A day on which the ASX is open for trading in securities and banks are open for general business in Sydney, NSW.

15. Glossary (continued)

Capitalisation Rate	The capitalisation rate for a property or a portfolio of properties is calculated by dividing the stabilised Net Property Income of the property or portfolio by the assessed valuation of the property or portfolio, excluding costs of acquisition and fees.
Capital Gains Tax	A tax levied on profits from the sale of capital assets.
CBD	Central business districts of a capital city.
CHESS	ASX's Clearing House Electronic Subregister System.
Conditions	<p>The conditions precedent to Allotment, being:</p> <ul style="list-style-type: none"> • The approval by Existing Investors of the Resolutions; • Replacement of AUFML as Responsible Entity of the Fund by AUIRE; • The variation of AUIRE's AFSL by ASIC to include an authorisation to allow it to act as the Responsible Entity; • Appointment of AUFML as investment manager of the Fund and AUPM as property manager of the Fund; • The Constitution, as amended, coming into effect; • Completion of the Unit Consolidation; and • Settlement under the Underwriting Agreement.
Consolidation	The consolidation of the Units prior to Listing as described in Section 10.4.
Consolidation Ratio	The actual ratio adopted by the Responsible Entity under the Consolidation, necessary to give rise to a \$2.00 Offer Price, which is not expected to be materially different to the Assumed Consolidation Ratio.
Constitution	The constitution of Australian Unity Office Fund to be adopted with effect from and subject to approval by Existing Investors at the Unitholder Meeting.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CPI	Consumer Price Index.
Custodian	The Trust Company (Australia) Limited (ACN 000 000 993).
Directors	The directors of the Board of AUIRE and Director means any one of them.
Distribution	Cash payment to Unitholders determined by the Fund's Distribution policy from time to time.
Distributable Income	Is the amount determined in accordance with the Constitution.
Distribution Yield	The Distribution per Unit that is forecast to be received by Unitholders in the Forecast Period divided by the Offer Price, calculated on an annualised basis.
Existing Investors	Unitholders in the Fund prior to the issue of Units pursuant to the Offer.
Exposure Period	The seven day period after the date of lodgement of this PDS during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the date of lodgement of this PDS.
FFO or Funds From Operations	A Property Council of Australia definition which adjusts statutory AAS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, rental straight-line adjustments and other unrealised one-off items.
FFO Yield	FFO per Unit that is forecast to be received by Unitholders in the Forecast Period divided by the Offer Price, calculated on an annualised basis.
Financial Information	Has the meaning given in Section 6.1.
Forecast Financial Information	Has the meaning given in Section 6.1.
Forecast Financial Information Period	The period from 1 April 2016 to 31 December 2017.
Forecast Period	The period from 1 July 2016 to 31 December 2017.

15. Glossary (continued)

Foreign Unitholder	A Unitholder who is not an Australian resident.
FUM	Funds under management.
FUMAA	Funds under management, administration and advice.
Fund	Australian Unity Office Property Fund (ARSN 113 369 627) (to be renamed the Australian Unity Office Fund (ARSN 113 369 627) following the Unitholder Meeting assuming the Resolutions are passed).
Fund Trustees	The Responsible Entity and the trustee of each Sub-Trust and Fund Trustee means any one of them.
FY	Financial year, being the financial period ending on 30 June.
Gearing	Interest bearing liabilities (excluding unamortised establishment costs) less cash divided by total tangible assets less cash.
GAV or Gross Asset Value	The gross value of the Fund's assets determined in accordance with the Fund's Constitution.
Gross Operating Income	The budget approved by the Fund Trustee comprising gross rent, licence fees and any other payments of a rental nature payable in relation to all leases (including all outgoings and car parking fees), notwithstanding any incentives, rent free periods or forbearance that is given to a lessee which is reconciled as soon as practicable after each financial year end to determine the actual Gross Operating Income.
Gross Property Income	The rental income payable by a tenant to the Fund which includes any storage, signage and car parking fees and any recovery of outgoings.
GST	Goods and Services Tax.
Holder Identification Number/ Unitholder Reference Number	Has the meaning given in Section 10.16.
IPO	Initial Public Offering.
Independent Expert	Savills (Vic) Pty Ltd ACN 006 646 199.
Independent Limited Assurance Report	The Independent Limited Assurance Report prepared by the Investigating Accountant as set out in Section 7 of this PDS.
Independent Market Report	The report prepared by the Independent Expert as set out in Section 4.
Institutional Investor	Persons whom, in the absolute discretion of the Joint Lead Managers, Units are able to be offered under applicable laws without the need for any prospectus, product disclosure statement, registration or other formality (other than a registration or formality which AUIRE is willing to comply with), including in Australia to wholesale clients and in New Zealand to institutional investors.
Institutional Offer	The offer under this PDS to certain Institutional Investors to apply for Units.
Interest Coverage Ratio (ICR)	The ratio of earnings before interest and tax for the previous 12 month period (after adjusting for amortisation and non-cash items) to interest expense for the previous 12 month period.
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited (ACN 003 599 844).
Investment Grade	Tenants which are rated by one or more reputable bond ratings firms as being "medium credit quality" (or its equivalent) or above.
Investment Management Agreement	The Investment Management Agreement between the Investment Manager and the Responsible Entity.
Investment Manager or AUFML	Australian Unity Funds Management Limited (ABN 60 071 497 115).
Investor Services	The telephone helpline, conducted by the Registry.
Joint Financial Advisers	Credit Suisse (Australia) Limited (ABN 94 007 016 300) and UBS AG, Australia Branch (ABN 47 088 129 613).
Joint Lead Managers	Credit Suisse (Australia) Limited (ABN 94 007 016 300); National Australia Bank Limited (ABN 12 004 044 937) and UBS AG, Australia Branch (ABN 47 088 129 613).
Lenders	Commonwealth Bank of Australia (ABN 48 123 123 124) and National Australia Bank Limited (ABN 12 004 044 937).

15. Glossary (continued)

Listing	Official quotation of the Units on ASX and commencement of trading of the Units on ASX (initially on a conditional and deferred settlement basis).
Listing Rules	The official Listing rules of ASX from time to time as modified by any express written confirmation, waiver or exemption given by ASX.
LVR	Loan to value ratio.
Maximum Withdrawal Amount	The Withdrawal Offer will be conducted prior to commencement of Listing and will be for an amount of up to \$56.2 million.
NABERS	National Australian Built Environment Rating System.
Net Asset Value or NAV	The value of assets of the Fund less the liabilities of the Fund from time to time.
Net Operating Income	The sum of rent payable by a tenant to the Fund under the terms of their lease less any direct property expenses and outgoings payable by the Fund.
Net Property Income	The rental income less the property expenses, as calculated in accordance with the statutory accounts.
NLA or Net Lettable Area	Total lettable floor area less common areas, in square metres.
NTA	Net tangible assets, being the value of assets of the Fund, less the liabilities of the Fund and less the intangible assets of the Fund from time to time. In the case of the Fund, NTA will equal NAV at Allotment.
Offer	The Offer under (and as contemplated by) this PDS, including the Institutional Offer, Broker Firm Offer, and Australian Unity Offer.
Offer Closing Date	The date on which the Offer is expected to close, being 16 June 2016 in respect of the Broker Firm Offer and Australian Unity Offer. The Institutional Offer was conducted prior to the date of this PDS under the terms of the PDS. These dates may be varied without prior notice, including if ASIC elects to extend the Exposure Period by a further 7 days.
Offer Document	The document being a product disclosure statement for the purposes of Part 7.9 of the Corporations Act issued by AUIRE as the proposed Responsible Entity of the Fund.
Offer Period	The period commencing on the date on which the Broker Firm Offer and the Australian Unity Offer open and ending on the Offer Closing Date.
Offer Price	\$2.00 per Unit.
Official List	The official list of entities that ASX has admitted and not removed from listing.
Passing Yield	The valuer's assessment of the Property's annualised income divided by the independent value of that Property as at 30 April 2016.
PDS	This Product Disclosure Statement, dated 23 May 2016.
Portfolio	The portfolio of properties owned by the Fund from time to time and on the implementation of the Transaction means the portfolio comprising the Properties.
Pre-Offer Distribution	The Distribution payable to the Unitholders as at the Pre-Offer Distribution Record Date of all or some of the income of the Fund that will have accrued before the Allotment Date (as determined by the Responsible Entity).
Pre-Offer Distribution Record Date	The record date set by the Responsible Entity to determine which Unitholders' are eligible to be paid the Pre-Offer Distribution, being the Settlement Date.
Pro Forma Balance Sheet	The consolidated pro forma balance sheet contained in Sections 6.3 and 6.7.

15. Glossary (continued)

Property	<ul style="list-style-type: none"> • 30 Pirie St, Adelaide, SA; and/or • 10 Valentine Ave, Parramatta, NSW; and/or • 5 Eden Park Drive, North Ryde, NSW; and/or • 32 Phillip St, Parramatta, NSW; and/or • 468 St Kilda Rd, Melbourne, VIC; and/or • 241 Adelaide St, Brisbane, QLD; and/or • 2 Eden Park Drive, North Ryde, NSW; and/or • 64 Northbourne Ave, Canberra, ACT, as the case may be.
Property Management Agreement	The Property Management Agreement between the Property Manager and the Responsible Entity as outlined in Section 13.6 of this PDS.
Property Manager	AUPM.
Proposed Debt Facility	The Fund's proposed \$140.0 million secured revolving debt facility described in Section 13.2.
Recoverable Expenses	All costs, charges, expenses and outgoings reasonably and properly incurred by the Responsible Entity in the proper performance of its duties as the Responsible Entity of the Fund.
Register	The register of AUIRE.
Registry	Boardroom Pty Limited (ACN 003 209 836).
REIT	Real Estate Investment Trust.
Resolutions	<p>The resolutions to be voted upon by the Existing Investors at the Unitholders Meeting as set out in the notice of meeting for the Unitholders Meeting, which include the approval of:</p> <ul style="list-style-type: none"> • the amendments of the constitution of the Fund; • the retirement of AUFML as Responsible Entity and the appointment of AUIRE as Responsible Entity; and • certain related party approvals under the Corporations Act in connection with the Transaction.
Responsible Entity	The responsible entity of the Fund from time to time.
Retail Investor	An eligible investor who is a resident of Australia, who is neither in the United States nor acting for the account or benefit of a person in the United States, and is not otherwise participating in the Institutional Offer.
Settlement	The settlement in respect of the Units the subject of the Offer under the Underwriting Agreement.
Settlement Date	Means 21 June 2016, or such other date determined by the Responsible Entity.
sqm	Square metres.
Statutory Historical Balance Sheet	Has the meaning given in Section 6.1.
Sub-Trust	<p>Each sub-trust directly and indirectly wholly owned by the Responsible Entity, being the:</p> <ul style="list-style-type: none"> • Australian Unity Fifth Commercial Trust; • Australian Unity Second Industrial Trust; • Australian Unity Holding Trust; • Australian Unity Sixth Commercial Trust; • Australian Unity Fourth Commercial Trust; and • Pirie Street Trust.
Sub-Trustee	The trustee of a Sub-Trust.
Tax Adviser	Gilbert + Tobin.

15. Glossary (continued)

Transaction	<p>A series of transactions involving the following:</p> <ul style="list-style-type: none"> • the Unit Consolidation; • the execution of financing documents in relation to the Proposed Debt Facility and satisfaction of each condition precedent in the financing documents; • Listing; • Allotment; • the redemption of Units of Existing Investors who elect to exit their investment in the Fund under the Withdrawal Offer; • the reduction of the level of debt in the Fund contemplated in this PDS; and • the payment of the Pre-Offer Distribution.
Transaction Costs	Costs associated with the Transaction (including the Offer, but excluding costs of refinancing the existing debt facility), as set out in Section 6.5.2 and detailed in Section 11.4.
Underwriters	The Joint Lead Managers.
Underwriting Agreement	The underwriting agreement between AUIRE and the Joint Lead Managers dated on or about the date of this PDS as described in Section 13.3.
United States or US	The United States of America, its territories and possessions, any State of the United States, and the District of Columbia.
Unit	A fully paid unit in the Fund.
Unitholder	A registered holder of a Unit.
Unitholder Meeting	Means the meeting of Existing Investors, scheduled to occur on 17 June 2016.
US Persons	Has the meaning given by Regulation S under the US Securities Act.
Valuation Reports	<p>Formal reports containing the independent valuation, as at 30 April 2016, of:</p> <ul style="list-style-type: none"> • 30 Pirie St, Adelaide – prepared by Savills; • 10 Valentine Avenue, Parramatta – prepared by Knight Frank; • 5 Eden Park Drive, North Ryde, NSW – prepared by Savills; • 32 Phillip St, Parramatta, NSW – prepared by CBRE; • 468 St Kilda Rd, Melbourne, VIC – prepared by Urbis; • 241 Adelaide St, Brisbane, QLD – prepared by Knight Frank; • 2 Eden Park Drive, North Ryde, NSW – prepared by Knight Frank; and • 64 Northbourne Ave, Canberra, ACT – prepared by Savills.
Weighted Average Lease Expiry or WALE	The average lease term remaining to expiry across the Portfolio or Property, weighted by Gross Property Income or as noted. This excludes The Brisbane Club at 241 Adelaide St, Brisbane as the tenant has approximately 47 years remaining on their lease and would thus distort the metric.
Withdrawal Offer	Existing Investors given the opportunity by AUFML to make a capped withdrawal request from their investment in the Fund.
Withdrawal Price	Will be at the last prevailing NTA per Unit as determined under the constitution before the Withdrawal is effective, estimated to be \$1.96 per Unit, on a post Consolidation basis.

17. Corporate Directory

Australian Unity Office Property Fund (to be renamed the Australian Unity Office Fund)

ARSN 113 369 627 ABN 85 913 928 169
114 Albert Road
South Melbourne VIC 3205

Responsible Entity

Australian Unity Investment Real Estate Limited

ABN 86 606 414 368 AFSL 477 434
114 Albert Road
South Melbourne VIC 3205

Legal and Tax Adviser

Gilbert + Tobin

Level 35, Tower Two
International Towers Sydney
200 Barangaroo Avenue
Sydney NSW 2000

Investigating Accountant

Ernst & Young Transaction Advisory Services Limited

8 Exhibition Street
Melbourne VIC 3000

Auditor

Ernst & Young

8 Exhibition Street
Melbourne VIC 3000

Registry

Boardroom Pty Limited

Level 12, 225 George Street
Sydney NSW 2000

Independent Expert and Valuer

Savills (VIC) Pty Ltd

Level 25, 140 William Street
Melbourne VIC 3000

Valuers

CBRE Valuations Pty Ltd

Level 5, The Barrington
10-14 Smith Street
Parramatta NSW 2150

Valuations Services (NSW) Pty Ltd and Valuations Services (QLD) Pty Ltd each trading as Knight Frank Valuations

Level 18, Angel Place
123 Pitt Street
Sydney NSW 2000

Savills Valuations Pty Ltd

50 Bridge Street
Sydney NSW 2000

Urbis Valuations Pty Ltd

Level 12
120 Collins Street
Melbourne VIC 3000

Financial Advisers, Joint Lead Managers and Underwriters

Credit Suisse (Australia) Limited

Level 31, Gateway
1 Macquarie Place
Sydney NSW 2000

UBS AG, Australia Branch

Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Joint Lead Manager and Underwriter

National Australia Bank Limited

Level 15, NAB House
255 George Street
Sydney NSW 2000

Investor Services

Within Australia: 1300 721 673
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The Fund's Website

www.australianunityofficefund.com.au

